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TOPICS OF THE MONTH

THE STATE BANKS

AFTER extensive investigation and taking counsel with the officers of the Federal Reserve Banks and the Federal Advisory Council, the Federal Reserve Board has issued the regulations which will govern the entrance of State banking institutions into the Reserve system. According to the explanatory statement which accompanies the formal regulations, a unified banking system is stated to be one of the principal aims of the Federal Reserve Act. There is no question that this was the purpose in the minds of those who approved and promoted the new law. Exception will doubtless be taken to the Reserve Board's statement that there can be but one "American credit system of nation-wide extent." It would be practically possible for the State institutions to become unified, but such unification would require earnest effort and a long time. It would doubtless be more feasible to bring the State institutions into co-ordination with the National banks through the instrumentality of the Reserve [illegible]. It is also much more desirable. The Reserve Board's statement frankly declares that the new system will rest upon an incomplete foundation unless it has within its membership the greater part of the banking strength of the country. It is believed that this can be done without destroying or seriously impairing the "distinctive characteristics" of the State banks and trust companies. These characteristics, it is admitted, should be respected "in co-ordinating them in the Federal Reserve System."

In reciting the advantage of a unified system, John Perrin, the Federal Reserve Agent of the San Francisco Bank and a member of the Currency Commission of the American Bankers Association, said in a recent address:

> The fundamentally important reason for unification is that the larger the proportion of banking reserves centralized in a Reserve Agency, the higher the ratio of potential fortification of business to its volume.
>
> Only through the issue of Federal Reserve notes can there be any speedy or important increase in the total volume of our currency which must meet

the requirements for the use of all banks, State and National, and the requirements for the use of all the people. In a crisis, when a vast volume of payments in money is required, the amount of notes available for issue will be exactly in proportion to the amount of the gold reserve of the Federal Reserve Banks. * * * Clearly, to link all banks into one system, thereby increasing correspondingly the gold reserve centralized in the reserve holding and note issuing agency, would add to the security of all banks, and what is more vital, would give proportionately greater insurance to the stability of the entire business activities of the whole people. If every citizen were trained as a soldier, the potential defense would be the entire physical force of a nation. If only one-fourth of the citizens were so trained, they might fight with equal valor but the power of defense would be only one-fourth.

Mr. Perrin thus provides the State institutions with a patriotic reason for becoming members of the Reserve system. There may come a time when the necessities of the situation will make such a demand in terms not to be denied. The argument will be advanced that for practical purposes the resources of the National banks are ample. There are, however, other phases of the situation more directly interesting to the State banks.

In its explanatory statement the Reserve Board gives to State banks that join the system a position different from that occupied by the National banks. For the latter membership was compulsory and there is an assumption, if it is not the reality, that the exercise of the supervisory and regulatory powers of the Reserve Board will force them into a condition of absolute soundness. For the State banks, on the other hand, membership is to be rather a badge of honor. If a State bank is admitted to membership in the system it will be at the end of an examination which will be a practical guarantee of its standing. National banks, entering the system, could be brought subsequently to a condition which would be satisfactory to the Reserve Board, if it were necessary, but State banks must be in such a condition prior to admission. In other words, the Federal Reserve Board intends that when a State bank advertises its membership in the system, it shall have a particular significance. In short, such advertisement will be a more emphatic index of the institution's standing than has been conveyed by advertisement of the fact that a bank was a Government depositary or was charged with any special duty or trust.

The Reserve Board has undertaken to meet in its regulations the arguments which were advanced as reasons for State banks not joining the system. In these arguments little stress was laid upon the increased capital and reserve requirements, the limitation of liability that might be incurred by any one person or firm, the prohibition against purchases of or loans upon its own stock, or the other technical restrictions imposed in the interest of stability. As to loans on real estate, the regulations require only that they be not so excessive as to impair liquidity. In the provision as to examination an effort is made to remove all fear that the Comptroller of the Currency may intervene. Examinations made by State banking departments are to be accepted if they are adequate, and if not, there will be supplemental examinations made under the direction of the Federal Reserve Banks. It is, of course, not stated directly that so far as State institutions are concerned the Federal Reserve Board will be the organization with which State bank members have relations. It is inferentially indicated that neither the Secretary of the Treasury nor the Comptroller of the Currency, except in their capacity as members of the Federal Reserve Board, will have anything whatever to do with the State institutions which become members.

The one other objection which the Reserve Board was obligated to meet was in reference to withdrawal from the system. There will be little opposition to the rules that a State institution may withdraw on twelve months' notice. Those which join the system will, of course, be subject to "such rules and regulations as the Federal Reserve Board may prescribe." It is theoretically a cogent argument that the banks must become subject to rules which may be varied for political reasons and may otherwise be decidedly obnoxious. Practically the Reserve Board may be trusted as well as any other human agency. It would be difficult to think of anything which would bring speedier punishment than personal or political tampering with the banking system.

Efforts to transform the Federal Reserve system into an agency for the manufacture of political capital have gone as far as they ever will.

It would be a violation of conservatism if the State banks were to display haste in applying for membership in the Reserve system. There are some thousands which will never join and whose joining will be unnecessary either to enable them to perform their services to better advantage or to bring the banking strength of the country to the desired point of co-ordination. There seems, however, ground for the prediction that the State institutions whose business is largely commercial will eventually come into the system because it will be to their individual advantage and also contribute to the actual banking power of the nation.

ORGANIZATION AMONG BANKERS

Forty conventions of organizations of bankers were scheduled to be held in 1915. This includes the annual meeting of the American Bankers Association, the Investment Bankers Association, the Farm Mortgage Bankers Association, and two joint meetings of State Associations. In addition to these regular conventions there are an indefinite number of meetings of the group organizations in many States.

Every State in the Union now has a State Bankers Association; the Illinois Association, which was organized in 1880, is the oldest, and the Rhode Island Association, organized in 1915, is the youngest. The American Bankers Association, which is the parent of banking organizations, antedates the first State Association by five years. Many of the State Associations have grown to such proportions that they include within their membership practically every bank in the State. They have a range of activity which is very comprehensive. Whether their member banks are organized under State or National law, they have a common purpose and are able to consider particular matters of operation which are not within the scope of an organization whose membership is not limited by State bounds.

It is estimated that the number of banks which are members of State Associations is above 23,000. It is probably true that there are 250,000 bank employes who are directly interested in the activities of these State organizations. Many of the State Associations have secretaries who devote their whole time to organization work, and several of them have periodical bulletins which are circulated among their members. Since 1902 there has been an organization of the Secretaries of State Bankers Associations; this organization constitutes a Section of the American Bankers Association. Thus every State Bankers Association is linked with the American Bankers Association and through this contact the secretaries have not only the advantage of an interchange of ideas with each other, but with the National organization, whose membership of nearly 15,000 overlaps to a large extent that of every State Association.

No discussion of the extent of bankers' organizations would be complete unless account is taken of the American Institute of Banking, whose sixty Chapters have a membership of 14,000 bank employes. The work of the Institute is primarily educational and its members have opportunities for gaining knowledge not only of the technique, but of the history and philosophy of banking. No discussions of banking subjects are more thorough than those in which the members of the Institute participate. Monthly meetings for general discussion often with distinguished speakers present, and weekly study classes mark the activities of the Institute Chapters. In the course of a year they cover a wide range of general subjects as well as the clearly defined course.

Nothing is more certain than that the questions involved in the practical operation of banks and everything pertaining to banking activities are very thoroughly threshed out many times in the course of a year. This is not to say that organized effort, expended in discussion and education, has yet reached the maximum which the apparent necessities of the situation demand. The statement that bankers actively engaged in the business of banking know their subject thoroughly would be instantly challenged. But it is permissible to state that bankers are at least making a vigorous effort to inform themselves and to disseminate information of all kinds among those engaged in the business. Com-

mendable as this is there can be no satisfaction with the undertakings of these numerous organizations until the scope of the educational work has been materially enlarged. It is not only necessary that bankers understand banking, but that the whole business community acquire a knowledge of the fundamentals of credit.

It is not necessary that the knowledge which every business man should have extend beyond the elements. The difficulties that attend amendments and readjustments of banking laws arise from the fact that the lawmakers, who are usually business men, are wofully ignorant of the fundamental rules of banking.

There is warrant for the hope that the tremendous amount of effort being expended will have a cumulative force. Evidence of the influence of the work can be seen at times and it is not impertinent to recall the fact that, when he was informed of the proposal to include National bank notes in bank reserves, Mr. Bryan remarked that that was worse than anything he had ever proposed.

CREDIT UNIONS HERE AND ABROAD

Some interesting figures in regard to credit unions were given at the meeting of the New York State League of Savings and Loan Associations on June 10, by Arthur H. Ham, director of the division of remedial loans of the Russell Sage Foundation. Mr. Ham said that the number of credit unions in the world was estimated at over 65,000, with a total membership of 15,000,000. Classifying them by countries, Mr. Ham said that "Russia, which in 1904 had 378 unions, now has 14,000. On January 1, 1914, there were 18,000 unions in Germany making loans to members in one year of over a billion and a half dollars. Japan alone had 2,000 unions in 1909, and the little country of Roumania, where the movement started in 1902, had 2,500 unions with a membership of 350,000, or thirty-five per cent. of the entire population of the country."

While Mr. Ham apparently considers the co-operative credit union, instituted for the purpose of making short time loans to its members, as the result of effort to be free "from the depredations of loan sharks," he contrasts the situation in Europe with that in the United States, where the failure to establish such organizations he considers as remarkably astonishing.

It cannot be assumed that the people of the United States have no initiative or that they are less enterprising or less strongly opposed to the "depredations of loan sharks" than the people of Europe. There must be some better reason for the contrasted situations. If the banking facilities of the countries in which credit unions thrive are investigated it will be found that they have nothng which compares with the free banking system of the United States. It is unnecessary to recite what these banking systems are. It is only in this country that the system of free and independent banking has been developed to the point where credit needs are approximately measured by credit resources. One must go out of the realm of banking to find a means to meet the credit demand of those who have no security to offer. Even within the confines of legitimate banking these needs have been met in some measure. There is more or less complaint that in the agricultural districts of some parts of the country the demand for short term credit is inadequately supplied or that the rates are exorbitant. The demand for short time credit by farmers offers the severest test of banking judgment. If the security offered is not confined strictly to character the banker too often becomes a partner in a transaction which involves pronounced elements of risk.

While credit unions have been legally authorized in several States, statistics of their operations are very meager. Savings and loan and building and loan associations have grown to great numbers and many of them have large assets. The activities of these associations are, however, confined very largely to urban centers. This plan of co-operative activity seems not yet to have appealed largely to the farmer.

Agricultural financing in the countries of the old world and the methods and results obtained are always contrasted with the conditions in the United States, but in considering the situation it is well to remember that in this country there is a banking system whose extent and develop-

ment explain many of the things the enthusiastic reformers have been pleased to consider as inexplicable.

TRADE BALANCES

Statistics of England's foreign trade invariably show a balance against that country. The recorded value of its imports is always greater than the recorded value of its exports This is due, of course, to the purchase in other countries cf necessary foodstuffs. Despite the statistics, however, the balance of trade, when reduced to pounds sterling, is always in England's favor. This is the result of the "invisible import" item which consists of the unrecorded sums of interest and dividends that are paid on England's enormous investments in other countries.

At this time the United States is accumulating a huge balance against the countries of Europe. For this balance the increasing orders for war supplies and the decrease in imports are responsible to a great measure, while the larger exports of food supplies completes the record. The balance of trade recorded by the Custom House statistics is $850,000,000 in favor of the United States during the past ten months.

In considering the situation it is necessary to remember that this country has been in debt to Europe for many years. Reversing the British situation, the United States have an "invisible export" item, whose proportions have been reduced by abnormal conditions, but which is, nevertheless, still a large item. John E. Gardin, of the National City Bank, has gathered together the various items which constitute this "invisible trade balance." These items are:

1. Interest paid to European holders of American securities—$500,000,000.

2. Expenses of American travelers abroad—$400,000,000.

3. Returns of European investments in American enterprises—$250,000,000.

4. Freight paid to foreign ships—$300,000,000.

5. Premiums on insurance to foreign companies—$150,000,000.

6. Remittances of foreign residents of the United States to people at home—$100,000,000.

7. Expenditures of expatriated Americans abroad—$200,000,000.

Mr. Gardin points out that the surplus of exports over imports for the fiscal year ending June 30, 1914, was $685,000,000. Americans, he says, are very prone to take these figures and conclude from them that the United States is a creditor instead of a debtor nation. It is plain enough that, if the "invisible trade balance" is considered, and it must be considered, that this conclusion is far from the truth. Conditions, however, are not normal. Not only are we exporting great quantities of foodstuffs, but we are also exporting a new and strange kind of manufactured product and imports have fallen off materially. The holdings of American securities abroad are constantly decreasing; American travelers will spend little or nothing in Europe this year; the item of freight to foreign ships will be greatly reduced and in fact there will be a reduction in everyone of the seven items, while some may disappear altogether.

Financiers are naturally greatly concerned over the situation. There are no precedents to guide them. The exchange of the various countries is at a discount ranging from one and one-half per cent. for England to twenty-four per cent. for Russia. As none of these countries can or will let go of its gold the depreciation in exchange will increase so long as the war continues and probably for a number of years thereafter.

As yet none of the belligerent nations has tried to raise money in the United States by the direct sale of its securities. At least no such securities have been offered for public subscription. There is no method of determining what would be the results of such an effort. Loans have been secured in America for the purpose of paying for the purchases made here. France, it is reported, is about to negotiate a loan of $50,000,000 with American securities as collateral. This is a very different proposition from putting the bonds of France on the American market for sale. It is understood, however, that all the contracts placed here for war materials call for cash payments. Up to this time arrangements for payment have been made

through American banks. How long this can be continued is also problematical.

Despite the enormous resources of Great Britain and France their credit has already been impaired. The English Parliament last month authorized another huge loan. The total debt of the four great nations in the conflict has been increased by $13,000,000,000, with the prospect that it will mount to very much greater proportions. As their financial difficulties increase the situation in the United States grows better. Whether we will or not, our resources will be drawn upon by the needy nations with the prospect that in the end this country will become really a creditor nation.

WAR LOSSES IN MEN

"Losses in men," said a retired army officer recently, "are definite, but the gains of a victory are uncertain." If this is a correct statement and the estimates of the losses of the belligerents are correct, a fairly accurate view of the situation in Europe can be obtained. The official British announcement gives that country's losses in killed, wounded and captured as 258,000 soldiers and 13,000 sailors. How many men England has engaged in the war has not been made public, but it is supposed that there are about 2,500,000 in all branches of the military service. Thus the British losses so far have been about 10 per cent.

From France has come no official statement whatever of casualties. It would not be surprising if the French losses had been more than double those of England in proportion to numbers engaged. In that case the French losses would be in the neighborhood of 800,000, making a total casualty list for these two nations of more than 1,000,000 men.

Hilaire Belloc estimates the losses of the Teutonic allies at 3,750,000. The estimate may be too high as it involves a reduction of practically fifty per cent. in the supposed strength of these two nations when the war began.

No one has taken the trouble to estimate the losses of Russia, although the Germans claim that they have more than 1,000,000 Russian prisoners. It is assumed that Russia has unlimited numbers from which to draw soldiers and its problem is one of training, equipment and ammunition rather than of men.

If the German losses are materially less than M. Belloc has estimated its condition is even more desperate than has been pictured. How much is left of the flower of the fighting force that marched into France last August is problematical. The reduction in Germany's military strength is not only in quantity but in quality. The problem, as English statesmen view it, is for them one of ammunition and munitions. The problem for Germany seems to be one of men. The allies can and will secure ammunition in the quantities demanded. The number of men Germany can secure is limited. The astonishing thing is that the war question should have been reduced to such terms within eleven months.

THE CASE OF THE RAILROADS

The problem presented by the condition of the railroads has not yet been solved. Practically one-eighth of the mileage of all the railroads in the country is being operated by receivers. The extent of the mileage of bankrupt railroads is approximately the same as it was in 1896, but the proportionate mileage is less. It is declared to be axiomatic that there cannot be general prosperity in the country unless the railroads are prosperous. The situation is summed up in the "Bache Review" as follows:

> In the ten years from 1904 to 1914 passenger rates have been reduced, freight rates have been carried lower and lower, operating expenses and taxes in relation to revenues have been increased, the proportion of wages to revenue has mounted up irresistibly, and all this time forty-five different State commissions have been piling burdens of expenses and difficulty of operating. Meantime, the net capital per mile, money furnished by new investors, has been increasing measurably, adding to the necessity of adequate dividends.

Too much was apparently expected from the increase in freight rates allowed the Eastern roads. The gain from this was comparatively small when considered in connection with the losses sustained by the railroads in the last ten years. The Western freight rate case has not yet been decided, but there have been decisions which indicate that the competition of the Pan-

ama Canal will be seriously felt by the Western roads in the future. At present there is no indication that anything more is to be done to assist the railroads out of their financial difficulties. Offerings of securities are not taken freely and the interest rates are high. The only thing in sight is apparently a continuation of regulative operation along the lines of the policy laid down by the Interstate Commerce Commission, with the prospect of a struggle in which the question of government ownership of carriers will have to be settled by political means.

A case which is typical of the difficulties encountered by the railroads in securing relief from burdensome laws and regulations comes from Pennsylvania. By concerted effort and a frank disclosure of facts the railroads induced the Legislature of that State to repeal the extra train crew law. Governor Brumbaugh vetoed the repeal measure. In assigning reasons for his veto he called attention to the fact that there had been a vigorous campaign in support of the railroads; this he called "lobby influence," which he apparently regarded as tantamount to undue influence. It was recalled that when the extra train crew law was passed there was a strong lobby of labor representatives. Moreover, the Governor said that the law requires only one extra man in each train crew, and while this extra man was frequently idle, nevertheless to his presence was to be attributed the decrease in railroad accidents and loss of life. This attempt to belittle the case by reference to the fact that only one extra man is required is deceptive. The cost of this one extra man to Pennsylvania railroads is $2,000,000 a year. The evidence also shows that this one man, instead of contributing to safety, interferes with discipline, and not infrequently reduces the morale of the train crew. Apparently it is easier to convince the people of the absurdity of such restrictive measures than it is to move the politicians. Under a referendum vote taken in Missouri an extra train crew law was repealed by a majority of 68,000 votes.

A. D. Welton.

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O. H. WOLFE LEAVES CLEARING HOUSE SECTION

O. Howard Wolfe, Secretary of the Clearing House Section of the American Bankers Association, has resigned that position to become assistant cashier of the Philadelphia National Bank. Mr. Wolfe has been secretary of the Section since October, 1911. His banking experience began at Bryn Mawr, Pa., and from there he went to the Philadelphia National Bank as a clerk in 1899. In eleven years of service in that institution he served in practically every department, and during the last two years of his service was transit manager.

Mr. Wolfe became a member of the Philadelphia Chapter of the A. I. B. in 1907, and at once became active in the work of the Chapter. He was a member of the debating team and in 1910 was chosen to represent the Philadelphia Clearing House at a conference of transit managers held in Chicago. At this conference there was devised what is known as the Universal Numerical System, and it was his participation in that work which brought him to the attention of the Clearing House Section. After coming to New York Mr. Wolfe was elected president of the New York Chapter of the Institute, and was in great demand as a speaker on banking subjects before Institute meetings. His work as secretary of the Clearing House Section is too well known to need comment. Not only was he a recognized expert in all matters pertaining to the work of the Section, but he turned a versatile hand to almost every field of banking discussion. As a writer he presented his subjects with clarity and force, and when the Federal Reserve Banks were in process of organization he was asked to serve on the preliminary organization committee. As a member of this committee he originated the plan for the gold settlement fund at Washington which is now in operation. He also devised the forms for this plan, and at the request of the Reserve Board he supervised the first two clearings between the Federal Reserve Banks.

Mr. Wolfe's equipment, both natural and acquired, for the new duties upon which he has entered, is ample and the wide circles of friends will watch his discharge of those duties with confidence and pride.

The position which Mr. Wolfe has left will probably not be filled until the meeting at Seattle, when the Executive Committee of the Clearing House Section will select a secretary from the list of candidates.

Financial and Other Risks Involved In Seeking South American Trade

Peculiar Business Practice in Sister Republics Raises Question of Whether They Will Pay the Bills They Incur—European Countries Found It Necessary to Make Loans.

ASIDE from the question of whether South America is to be developed for the mutual benefit of its people and the people of the United States, or is to be exploited for the benefit of the latter, the problem of more extensive commercial relations with the other American republics involves the matters of supplying them with capital, of selling them goods, of establishing banking facilities, and of securing adequate means of transportation.

Lending money to these nations necessitates an examination of their credit standing and credit customs, the results of which will be equally important in determining whether or not it is advisable to sell them manufactured products. The question of political stability for the time being may be eliminated. It will be taken for granted that the sudden changes of administration to which some of them have been subject will not interfere with trade conditions.

The matter that is primarily of consuming interest is not whether these "sister republics" have resources susceptible of development, but whether or not they will pay the bills they incur. Many Americans familiar with conditions in the Latin countries speak of them in pessimistic terms and say that it is a waste of time to make an effort to get their trade. Others are extremely enthusiastic, and in this class it seems fair to include those who have made a hasty trip through South America, but have no real insight into the trade problems presented. There are others who have a keen understanding of the difficulties that attach to the development of this commercial field, but who think that the ultimate returns warrant the effort.

Alleged Bankruptcy

It is frequently remarked that the South American countries are all bankrupt. The absurdity of this statement with reference to a continent of over 7,000,000 square miles, with a population of nearly 50,000,000 people and exporting necessities of life to the value of $1,500,000,000 per annum, is apparent. Such a territory could not be permanently bankrupt or be more than temporarily affected by the dislocation of its financial connections in Europe. But the attitude of the people of South America toward business and toward their financial obligations is very different from that of the people of the United States. It will be necessary for the manufacturers and merchants in this country who contemplate entering this commercial field either now or in the future, to make the same study of conditions, habits and customs, and to secure the same kind of information in regard to the credit standing of their customers, as they do in regard to the districts in which they sell goods and the concerns with which they deal in this country. Undoubtedly the present is a poor time to make such a study or attempt to secure such information.

Testimony from Argentina

Dependent on Europe for its supplies of manufactured products and for financial assistance, South America naturally suffered severely as the result of the war. Promising arrangements for extension of loans were interrupted and defaults were made that would otherwise have been avoided. However, it seems apparent that South American corporations, particularly municipal and State corporations, have not the nice regard for their financial obligations which is considered essential in the United States.

In Buenos Aires is published a financial paper called the Review of the River Plate. In its pages may be found accounts of financial difficulties and defaults which would make an American banker gasp. It records, for instance, that the Province of Buenos Aires has outstanding a total bond issue of $437,000,000, with an annual interest charge which consumes 38 per cent. of the revenue of the Province. The total debt of Argentina is $544,000,000 gold, which is equivalent, says the Review, to $165 paper per inhabitant, "while the Province of Buenos Aires with a population of 2,200,000 has a debt of $200 per head." The same paper also says that from 1907 to 1913 inclusive the deficit in the budget of the Province mentioned totals $95,000,000 and, commenting on an arrangement for the refunding of certain Provincial bonds which were secured by revenues from specified sources, it says:

> We maintain that that guarantee is absolutely worthless, for the very simple reason that the service of the three and three and one-half per cent. bonds was also guaranteed by certain taxes and it is well known that said guarantee has not been fulfilled. What has happened, therefore, with the three and three and one-half per cent. service is just as likely to happen with these new bonds whenever it so suits the Provincial government. It certainly comes as a surprise, therefore, that any bondholders are to be found to-day to accept a guarantee given by the Province of Buenos Aires, especially when one week it disclaims its guarantees to one set of bondholders and in the next week offers another guarantee to others.

Another interesting situation is disclosed in the following:

> The ways of Provincial governments for settling financial questions are many and varied. The Government of the Province of Salta has recently discovered a new method of making

ends meet, or we should say of paying off their accumulated debts. At one time Treasury Bills in the same form and description as the National currency were issued, but the the National Government objected to what it considered illegal issuing of currency, new methods had to be devised. The Finance Minister of that Province therefore formulated a project which received the approval of the Governor and of the legislature. The law in question authorizes the creation of documents somewhat on the lines of Treasury Bills, somewhat on the lines of a liquidation agreement imposed by the debtor, whether the creditor likes it or not, and partly as a ukase, by which the Government resolves to pay what it thinks fit of its debt, and as if this was not sufficient, these documents have a bearing towards an illicit issue of paper money of the class of a forced currency. These documents are known as "Titulos de Duda Consilidada," and are destined to "pay the debts which weigh on the Province as a result of deficits in the budgets up to 1914, inclusive." The law provides the interest that these bonds bear. The Government will receive these bonds in payment of taxes up to 1914, inclusive, as guarantee deposits, or in payment of public land which may be sold. It now remains to be seen what the creditors will do in the matter.

Troubles of the Provinces

The Province of Mendoza is also in financial difficulties. The Review gives this information:

The Finance Minister has been informed that the Government of the Province of Mendoza has made an issue of Treasury Bills in the form of bank notes. These have the value of $5, $10 and $50, and are legal tender within the Province, and are already being freely circulated in spite of the numerous notes sent by the National Government to the Provincial authorities reminding them that such issues are illegal, as in their present form they are easily mistakable for National currency.

The Province of Santa Fe is in even a more desperate condition. After a recital of the numerous obligations it will have to meet in sixty days the statement concludes: "Besides these payments it has to provide about $500,000 to meet the embargoes placed upon its revenues by the Federal courts in law suits brought against the Province by creditors. Only by the very strictest economy will the Government be enabled to meet its liabilities."

An item from Chili says: "The Electric Light and Traction Company of Valparaiso has demanded the recision of its lighting contract with that municipality, owing to the non-payment of an account of a million and a half dollars for public lighting."

The Review of the River Plate relates the troubles of a public utility corporation as follows:

We give particulars of the sentence of the Supreme Court of the Province of Mendoza, which declares as null and void a concession granted to the Campania de Luz y Fuerza, and also declares as null and void certain Government decrees regulating said concession. This is a very serious question because on the faith of the legality of the concession granted by the provincial legislature and promulgated by the Government of the Province, over $2,000,000 has already been sunk in the construction of the dam in the River Mendoza, to which the concession referred. Other capital was invested in the construction of electric tramways in the city of Mendoza, and these have now been working two years or more. At the same time that the judicial authorities have annulled the validity of certain clauses in the concession, they have stated that the penalty clauses contained in said concession are to remain in full vigor, and that the guarantee deposit of $100,000, together with all the works at present constructed, are to revert to the Provincial Government. This is where the seriousness of the whole matter comes in, for if one part of the concession is null and void then surely the whole should be the same, and the sentence itself looks like an act of spoliation more than anything else. We understand that the company is not going to allow matters to rest where they are, but will lay the whole case before the Supreme Court of the Nation in an action that will be brought against the Province of Mendoza. It is many a long year since we have had to refer to an action of this class in the provinces, and it will do an immense amount of harm to Argentina, seeing that the capital of the company in question is foreign, but where the harm will come is in the fact that provincial concessions, granted by a legally constituted legislature and promulgated by a legally constituted Government, are liable to be declared null and void in the part affecting the validity of the concession, while the penal clauses are to remain in force and the concessionaires be despoiled of what they have invested.

Their View of Us

Despite the serious condition of the financial affairs in the provinces the "Review" has heard that South America is receiving some attention in the United States. It writes as follows of a prospective visit from American business men:

We are threatened with another invasion of commercial men from the United States, who are to be followed by still another at about a month's interval. Their advance agent has already arrived in Buenos Aires and has, of course, been interviewed. The merchants are going to travel 18,000 miles in 82 days in a steamer of 22,000 tons displacement, which will fly the American flag. If the steamer comes into the port of Buenos Aires this of itself will be of considerable importance, from the fact that year in and year out the American flag is scarcely ever seen in these waters. The journey to South America is being taken partly on business and partly on pleasure. Five days is the scheduled time allotted for the visit to Buenos Aires, and we do not think that much business or knowledge of our markets can possibly be obtained in so short a period. It is satisfactory to note, however, that North American merchants are beginning to take an interest in South America, but we do not presume for one moment that any of these business men expect to take orders home with them. It may, however, result from their visit that some of the firms will afterwards send out their special agents to thoroughly study our markets. When the European war broke out the United States consul was inundated with applications from firms who desired to enter into negotiations to open business in these parts. From what we have been able to ascertain very little has been done in this direction, for the simple reason that many of the inquirers were not in a position to accept conditions ruling here, and "cash with order" was the stumbling block. The South American market is a peculiar one, and if United States manufacturers and merchants desire to increase their dealings, they must fall in with South American conditions, and not impose their own. The market is a large one, a wealthy one, and one well worth fighting for, but it is not to be expected that South America will change its business habits all at once.

These matters are quoted not for the purpose of giving information as to the financial situation in Argentina, but to give a glimpse behind the scenes; in one case they show what is probably thought of the American efforts to secure business.

Matter of First Importance

In considering the problem of South American relations the matter of first importance is not shipping facilities or banking facilities; it is plainly whether or not the people of the United States wish to loan money to South America and make investments in those coun-

tries. England, Germany, France, Spain, Portugal and Italy have all made investments there, and their trade with the South American republics seems to be in proportion to their loans and investments. In an address at the Pan-American Conference Mr. Vanderlip estimated that this country has a potential surplus of something like $3,000,000,000 on which it could draw for South American investments. Under existing world conditions the investments would have to be very tempting if South America is to secure the preference.

The relations of this country to Europe are very close. Financial connections have been long established and trade has been developed to the highest point. The nations at war are bidding for money in the open market, and so great is their need that South America cannot now compete. To a great extent such credit as these nations have secured in this country has been based on American stocks and bonds returned here by foreign investors. Americans prefer to be paid in their own issues, at satisfactory valuation, rather than in securities issued by European nations or corporations. Undoubtedly in this country there will be a further absorption of foreign owned American securities if Europe continues to buy supplies in this country at the present rate. It is a question when the limit of European credit will be reached. Certainly the European nations cannot go on issuing securities as they have been doing without impairment of their credit and a decrease in the desirability of their securities.

It is conceivable that the time will come when South America will offer a better field for investment than Europe. If South American securities are offered for sale on the American market there is no question that American bankers will show the discrimination in the selection of securities which is a necessary condition of success. If the requisite care is exercised it is more than likely that financing South America may prove more attractive than sustaining the requirements of the present war in Europe.

As to Branch Banks

It is difficult to see how the establishment of branch banks in the countries under consideration and the extension of banking facilities would be profitable at this time. Dollar exchange between New York and the financial centers of the American republics would doubtless be pleasing to those countries. It would be insurance that Americans are building on a permanent foundation, and conditions would not be changed when Europe is again in a position to deal with South America; while the establishment of banking connections would save the profit which now goes to London bankers. Nevertheless in the orderly course of development the sale of merchandise would precede the extension of banking facilities. The sale of goods is a matter of personal solicitation supplemented, when a sale has been made, by the delivery of goods which meet in form and quality the exact demands of the purchasers. It is in this particular field that the Germans have excelled. They have not sent out expeditions to take South America by storm and presently disappear in the smoke of a banquet. Their commercial agents have been trained for the work and speak the language of the country they visit. It is said that half the South American salesmen for English exporters were Germans.

The absence of banking facilities does not stand in the way of sales of merchandise in these republics. When the sales have reached a point of sufficient consequence to create a demand for more direct banking facilities there is no question that the facilities will be provided by American bankers.

Obnoxious Laws

There are other obstacles to the development of the desired trade. There are obnoxious laws. In this respect this country is not the smallest offender. It was suggested at the Pan-American Conference that a committee be appointed to consider the standardization of trade laws. This work will fall to the International High Commission. Secretary of the Treasury McAdoo has selected the men who will represent the United States on this commission and has also appointed a special committee to give consideration to a visit of business men to South and Central America in the Fall.

Among the subjects which have been suggested for consideration by the High Commission are the establishment of a gold standard of value, bills of exchange, commercial paper and bills of lading, uniform classification of merchandise, customs regulations, trade-marks and patents, uniform rates of postage, money orders, parcel post and the extension of the process of arbitration for the adjustment of commercial disputes.

The representatives of the United States appointed to this High Commission by Mr. McAdoo are:

Secretary of the Treasury McAdoo, Chairman.
John Bassett Moore, Vice-Chairman.
John H. Fahey, Boston.
David R. Francis, St. Louis.
E. H. Gary, New York.
A. B. Hepburn, New York .
George M. Reynolds, Chicago.
Henry P. Davison, New York.
Samuel Untermyer, New York.
Dr. Leo S. Rose, Secretary General of recent Pan-American Conference.

In anticipation of the work of the High Commission, the Chamber of Commerce of the United States has taken up the question of the arbitration of trade disputes. This method of settling disagreements is probably made necessary by the difference in procedure under the Spanish law which is the basis of the legal systems of South America and the common law which obtains in this country. An inexpensive and speedy method of settling disputes about the quality of merchandise, compliance with orders and damages due to inadequate packing, are highly important. The plan

suggested by the United States Chamber provides for a committee on arbitration, of which two members would be appointed by this organization and two by the Buenos Aires Chamber of Commerce. The details of the plan have been worked out as to these countries and probably similar committees will be appointed for other countries. There is no doubt of the value of the work that is being done by the conferences and the committees that have been appointed.

The Question of Ships

The matter which promises to be ultimately the greatest deterrent in the development of commercial relations between the United States and the other countries is that of transportation. At the May conference there was no division of opinion among the delegates as to the absolute importance of establishing transportation facilities and more speedy and direct means of communication. Heretofore the carrying for the Western world has been done almost exclusively by European ships. It is often a quicker means of reaching South America to go from New York by way of London. A reply to a letter sent to Buenos Aires or Santiago will be quickly received if it comes in six weeks and not infrequently it takes much longer.

But the proposition of establishing lines of ships sailing from North American to South American ports involves questions whose political complexities are greater than the financial or economic phases. In this country shipping has not been encouraged. Despite the opportunities offered by the withdrawal of more than 20 per cent. of foreign owned ships a recently enacted law, known as the La Follette Seamen's Act, has imposed further handicaps on the development of shipping facilities. There may be, and probably are, two sides to the question, but little is heard of anything except the disastrous results that are to follow when this law goes into effect next November. Already notice has been given that the Pacific Mail Steamship Company will go out of business, that the Japanese Mail Line, which will, of course, be unaffected by the law, will run its ships from Yokohama to New York by way of the Panama Canal, and that other American owned ships will find it impossible to compete with their foreign rivals. This competition will be much more severe when the war is over and foreign ships are released to engage in whatever trade they can find.

The promised withdrawal of American owned ships from American registry and other prophesied difficulties have caused a semi-official announcement that there will be an investigation of the situation with a view to determining the exact consequences of the enforcement of this law and the probable increase in the cost of operating ships. The situation would be not less embarrassing if the question of possible trade with South America were not involved. It goes without saying that if this country desires a merchant marine its laws in relation to shipping should not only be liberal, but encouraging to those who engage in the business.

The Shipping Paradox

The condition is made anomalous by the fact that reports show every American ship yard to be working to its full capacity and that the law enacted by the last Congress, permitting the American registry of some foreign ships, has increased the tonnage carrying the American flag by 500,000.

A further complication is the campaign carried on under the leadership of Secretary McAdoo for Government ownership of ships. The bill for the establishment of Government owned lines, defeated in the last Congress, is promised revival in the next. Government ownership has strong opposition and, in the case of ships, the opposition is particularly well fortified not only because it would be a losing venture, if expert testimony is true, but because an experiment of the kind should not be undertaken in relation to South America if it is seriously intended to gain a permanent trade position there.

The situation in regard to shipping is paradoxical. Under the laws in existence capital will not be tempted into this field and Government ownership would impose upon the taxpayers the losses which would result from the operation of ships under the laws in force. Those interested in the extension of South American business and the development of all the economic facilities which are necessary to the satisfactory prosecution of such trade, will await with interest the presentation of information which will show that the conclusions here given are incorrect.

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LOWER DISCOUNT RATES TO MOVE CROPS

The Federal Reserve Board has announced a new departure with regard to discount rates, approving a rate of three per cent. for loans of ten days' maturity at the Federal Reserve Banks of New York, Philadelphia, San Francisco and St. Louis. In the opinion of the Board, the introduction of the plan just at the beginning of the crop-moving season may result in extending material assistance to banks which desire special accommodation for very short periods. The short term rate is believed likely to be an effective substitute for call loans based on collateral, and is in line with the policy of the Board heretofore established of progressively decreasing the rate of discount as the maturity of the paper presented is shortened, and as its liquidity correspondingly increases. The new plan will, it is thought, be particularly useful to banks that desire to obtain short term accommodation for the maintenance of their balances with the Reserve bank.

CHAIRMEN OF COMMITTEES WORKING ON SEATTLE CONVENTION

A. B. A. CONVENTION COMMITTEES READY FOR BIG WEEK OF SEPT. 6

All the committees formed for the convention work have been completed with the exception of the Ladies' Entertainment Committee, of which Mrs. M. F. Backus is Chairman, and the Reception Committee, of which J. H. Edwards is Chairman, and recapitulation of them is herewith given, with full membership:

EXECUTIVE COMMITTEE.

M. F. Backus, Chairman, Pres. Nat'l Bank of Commerce.
J. W. Spangler, Secretary, Vice-Pres. Seattle Nat'l Bank.
G. V. Holt, Manager Canadian Bank of Commerce.
N. H. Latimer, President Dexter Horton Nat'l Bank.
J. E. Chilberg, Vice-Pres. Scandinavian Amer. Bank.

FINANCE COMMITTEE.

C. J. Smith, Chairman, President Dexter Horton Trust & Savings Bank.
(Acting with Executive Committee.)

AUDITING COMMITTEE.

E. Shorrock, Chairman, Pres. Northwest Tr. & Safe Deposit Co.
W. W. Scruby, Cashier & Sec. Dexter Horton Tr. & Sav. Bank.
A. R. Truax, Assistant Cashier First National Bank.

HOTEL AND REGISTRATION COMMITTEE.

J. T. McVay, Chairman, V.-P. Metropolitan Bank.
F. Dickinson, Secretary, Richmond, Va.
R. H. MacMichael, Bond Manager Dexter Horton Tr. & Sav. Bank.
Rollin Sanford, Asst. Cashier, Union Sav. & Tr. Co.

PUBLICITY COMMITTEE.

N. B. Solner, Chairman, V.-P. Union Savings & Tr. Co.
M. J. Shaughnessy, V.-P. Scandinavian American Bank.
Lester R. McCash, American Sav. Bank & Trust Co.
Ross McDonald, First National Bank.

GENERAL ENTERTAINMENT COMMITTEE.

J. H. Edwards, Chairman, V.-P. and Treas. Dexter Horton Trust & Savings Bank.
J. W. Maxwell, President National City Bank.
James D. Hoge, President Union Savings & Trust Co.
E. C. Wagner, Manager Bank of California, N. A.
M. A. Arnold, President First National Bank.
F. K. Sturve, President Seattle National Bank.
J. A. Swalwell, Vice-President Nat'l Bank of Commerce.

SUB-COMMITTEES OF GENERAL ENTERTAINMENT COMMITTEE.

BALL COMMITTEE.

James D. Hoge, Chairman, Pres. Union Sav. & Trust Co.
E. C. Wagner, Manager Bank of California, N. A.
W. S. Peachy, Cashier Seattle National Bank.
J. F. Lane, Cashier Scandinavian American Bank.
O. H. P. LaFarge, Secretary Bank for Savings, Seattle.

AUTOMOBILE COMMITTEE.

J. W. Maxwell, Chairman, President Nat'l City Bank.
J. H. Newberger, Asst. Cash. Seattle National Bank.
A. B. Stewart, V.-P. Union Savings & Trust Co.
H. C. Henry, President Metropolitan Bank.
W. H. Parsons, V.-P. Dexter Horton National Bank.
Hervey Lindley, Director First National Bank.
Herman Chapin, Director Seattle National Bank.
R. R. Fox, Director National City Bank.

TRANSPORTATION COMMITTEE.

J. A. Swalwell, Chairman, V.-P. Nat'l Bk. of Commerce.
D. H. Moss, V.-P. First National Bank.
F. K. Struve, President Seattle National Bank.
Max Schmidt, Mgr. Georgetown Branch, Union Sav. & Tr. Co.
Joshua Green, Director National Bank of Commerce.
Jos. T. Greenleaf, Cashier People's Savings Bank.
S. T. Toby, President Rainier Valley State Bank.
Paul C. Harper, V.-P. Mortgage Tr. & Savings Bank.

CLUB COMMITTEE.

M. A. Arnold, Chairman, President First Nat'l Bank.
E. C. Wagner, Manager Bank of California, N. A.
L. H. Woolfolk, Asst. Cash. Scandinavian Amer. Bank.
R. R. Spencer, V.-P. National Bank of Commerce.
Ernest Carstens, Pres. German-Amer. Mercantile Bank.
H. C. McDonald, Asst. Cash. Seattle National Bank.
Daniel Kelleher, Chairman Board Seattle Nat'l Bank.
James D. Hoge, Pres. Union Savings & Trust Co.
H. B. Lear, Cashier University State Bank.
R. D. Merrill, Director First National Bank and National Bank of Commerce.

MUSIC COMMITTEE.

F. K. Struve, Chairman, President Seattle Nat'l Bank.
M. Matsumoto, Cashier Japanese Commercial Bank.
Mrs. F. K. Struve.
James D. Hoge, President Union Savings & Trust Co.
Mrs. James D. Hoge.
Mrs. W. S. Peachy.

DECORATION COMMITTEE.

E. L. Grondahl, Chairman, Pres. State Bank of Seattle.
R. V. Ankeny, V.-P. Seattle National Bank.
C. A. Philbrick, Cashier First National Bank.
H. L. Merritt, Asst. Cash. Dexter Horton Nat'l Bank.
L. P. Schaeffer, Asst. Cash. Northern Bank & Tr. Co.

INFORMATION COMMITTEE.

J. W. Spangler, Chairman, V.-P. Seattle National Bank.
G. F. Clark, Cashier National Bank of Commerce.
O. P. Dix, Manager Bond Dept. Union Sav. & Tr. Co.
Harry B. Lear, Cashier University State Bank.
A. H. Soelberg, Vice-President State Bank of Seattle.

LADIES' ENTERTAINMENT COMMITTEE.

Mrs. M. F. Backus, Chairman.

RECEPTION COMMITTEE.

J. H. Edwards, Chairman, Vice-President Dexter Horton Trust & Savings Bank.

Aldrich-Vreeland Act the Turning Point in American Banking History

Emergency Act Not Regarded with Favor at First, But Did Good Service at Outbreak of European War—In Future All Emergencies Will Be Met by Federal Reserve Notes.

THE Act of May 20, 1908, known also as the Aldrich-Vreeland Emergency Currency Act, expired by limitation on June 30 last. In many respects it was as important a piece of financial legislation as was ever enacted by Congress. Until the passage of the Federal Reserve Act it was the one measure affecting the currency system of the United States which had secured the endorsement of Congress, out of the multiplicity of bills presented in the 40 years preceding. The fixing of the gold standard was of unquestioned importance but it had no bearing on the banking system of the country.

The Aldrich-Vreeland Act, in addition to providing for the issuance of currency against the security of commercial paper as well as of bonds other than those of the United States, provided for the appointment of the National Monetary Commission. It was due to the work and the suggestions of this Commission that the country is now beginning to find its way out of the darkness. At the time of its appointment the Commission was looked at askance for several reasons, one of which was that contrary to the suggestion of the Currency Commission of the American Bankers Association, it was composed of nine Senators and nine members of the House of Representatives. The suggestion of the Currency Commission was that there be included in the membership of the Monetary Commission representative bankers and business men. Without reciting criticisms that followed the appointment of the Monetary Commission, it is enough to say that its work and the results therefrom were ample justification for everything that was done.

The Asset Currency Idea

The history of the Aldrich-Vreeland Act begins some years before its enactment; in fact, the question of asset currency had been making slow but steady progress in the minds of bankers and of business men for several years, but there was such opposition to every suggestion in which this principle was sought to be incorporated into law that the Aldrich-Vreeland Act, of limited tenure and designed only to meet emergencies that might arise before it expired, was a compromise. Nevertheless it was progress.

The discussion of the question of a more flexible currency had been active among bankers for several years and was a regular subject for consideration at the conventions of the American Bankers Association. At the St. Louis convention in 1906 this sentiment crystallized into the form of a resolution for the appointment of a committee of fifteen representative bankers who were charged with the duty of reporting the result of their studies to the convention the next year. A. Barton Hepburn was the chairman of the Currency Commission that was subsequently appointed. At the meeting in Atlantic City in 1907 Mr. Hepburn, in behalf of the Commission, summarized the plan recommended as follows:

> 1. Any National bank having been actively doing business for one year and having a surplus fund equal to twenty per cent. of its capital shall have authority to issue credit notes as follows, subject to the rules and regulations to be determined by the Comptroller of the Currency:
>
> (a) An amount equal to forty per cent. of its bond secured circulation, subject to a tax at the rate of two and one-half per cent. per annum upon the average amount outstanding.
>
> (b) A further amount equal to twelve and one-half per cent. of the capital, subject to a tax at the rate of five per cent. per annum upon the average amount outstanding in excess of the amount first mentioned.
>
> 2. The same reserves shall be carried against credit notes as are now required by law to be carried against deposits.

In explaining the recommendation Mr. Hepburn said: "It seeks to engraft upon existing laws simple changes which will admit of increased bank note circulation in response to the increased demand of business which accompany periods of business activity—witness the crop moving season."

The Lesson of 1907

The Emergency Currency Act was not regarded with favor nor did it receive particularly serious consideration. The country had emerged from the panic period of 1907 into a period of business activity, and there was nothing of an enduring nature in the situation which caused other than an academic view of the banking law. It was some time before any of the authorized currency associations were organized, and it required a suggestion of the Secretary of the Treasury to move the banks to act under the new law. Indeed, in the report of the Comptroller of the Currency in 1913 it was reported that "two associations were formed in the past year. * * * Up to the close of the report year there had been formed twenty associations, representing 339 banks." The report further said:

> While the number of banks forming these associations is but four and one-half per cent. of the number reporting on August 9, their capital represents thirty-five per cent. of the capital of all banks.

While, as stated elsewhere, the Comptroller's vaults contained the stock of bank notes required by the Act of 1908, no notes have been issued on security other than United States bonds.

It will thus be seen that up to this time the Aldrich-Vreeland law was only a moral force. There were many bankers and economists, however, who considered the issuance of currency under the provisions of this Act the only necessary amendment of the National Banking Act, so long as the clearing houses were permitted to exercise the function of issuing notes. Generally the Act was very properly considered as providing a suitable recourse in the event of an emergency until such time as the banking reform measures under discussion were brought to completion.

The time estimated by those who framed the Aldrich-Vreeland law—six years—as necessary to complete a new banking system for the country was too short. The Federal Reserve Act was completed six months before the time of the Emergency Act's expiration, but it was so obvious that the new law could not be put into operation before that date that the Emergency Act was extended one year. In view of the slowness with which the Federal Reserve Act was brought into operation the extension of the Aldrich-Vreeland law was most fortunate.

The Act in Operation

When the war began the Federal Reserve system was in an inchoate state. The disruption of credit and the dislocation of business provided just such a condition as the emergency law was designed to meet. The Secretary of the Treasury, in co-operation with the bankers, brought the law into action and its efficiency is a matter of recent demonstration. There was a fear that the limitation on the amount of circulation in the original Act of $500,000,000 might impair its efficiency under the circumstances that existed. Congress was appealed to and on August 4 the Act was amended so that each bank in a currency association might take out notes to the amount of 125 per cent. of its unimpaired capital and surplus. This raised the possible amount of emergency circulation from $500,000,000 to an amount estimated at $1,750,000,000. The increase was subsequently proved to have been unnecessary.

The high water mark for this kind of currency was reached on October 25, when the amount which had been issued stood at $368,616,990. This sum, however, does not show accurately the limitation of demand for currency expansion in the crisis brought on by the war in Europe. Treasury officials were active in promoting the formation of currency associations and many banks took out notes which they held in their vaults. The grand total of the amount of this currency issued was $386,444,215. Of the total of 7,538 National banks, 1,363 received circulation. This circulation was secured by State and county bonds to the extent of $54,230,119, or fourteen per cent. of the total; by miscellaneous securities valued at $109,386,633, or twenty-eight per cent., and commercial paper to the value of $220,466,678, or fifty-seven and one-half per cent.; one-half of one per cent. was secured by warehouse receipts.

The retirement of the notes began in November, when $127,000,000 was redeemed. On May 20 the total amount outstanding was $3,539,600, and before June 15 only $1,250,000 was in circulation, so that the redemption of the notes proceeded without leaving a financial ripple.

Future Protection

Hereafter Federal Reserve notes will be the currency medium in operation to meet every emergency. Of the efficiency of the Federal Reserve notes there is no question. It will not be necessary for the bankers and the Treasury officials to meet and measure the potential emergency and take steps according to their views. Federal Reserve notes will be issued in the orderly course to an amount that will reflect with exactness the demands of business for accommodation, and they will be retired with a precision that has no connection whatever with the opinions of those in charge of the system. Their issue cannot be promoted or increased for the political effect that low interest rates would bring in the presence of a stringency. The new system, so far as Reserve note issues are concerned, is scientific and measurably automatic. There need be no grief that the Aldrich-Vreeland Act has served its purpose and gone out of existence.

The Aldrich-Vreeland Act has a position in the history of American finance which is not made more interesting by the recent test of its efficiency. It marked the turning point in the course of banking in the United States. It fixed the date at which the National Banking Act had outlived its usefulness, as it also fixed the point at which financial sentiment in the United States turned toward better and more modern schemes of banking. It taught a valuable lesson. It demonstrated that currency issues, if they are to maintain commercial stability, must be made in relation to the demands of business and must not be measured by the needs of government. It is not to much to say that if the Aldrich-Vreeland law has taught anything, it has taught that the sooner all forms of circulating media not produced by the operations of trade are retired the sooner will the country have a currency system that will meet its requirements.

Our Currency Still Not Elastic Except in Direction of Expansion

Operation of Federal Reserve Act Has Produced a One-Sided Effect — Too Much Currency Out Now for the Country's Business Needs—Control of the Gold Situation.

AT the annual convention of the Maine Bankers Association, at Augusta, June 12, General Secretary Fred. E. Farnsworth, after allusion to the work of the American Bankers Association and its various activities; its Sections, Protective and Legal Departments and affiliated State Bankers Associations, spoke as follows:

Is the Currency Elastic?

"Eighteen months after the passage of the Federal Reserve Act and seven months after the Act was placed in operation, it is pertinent to take an account of the currency system of the United States, to the end that we may see whether or not we are making progress toward the goal which the advocates of a reformed currency have fixed.

"Under the currency system in operation before the Federal Reserve Act was given effect the country had all the money and all the currency which it now has. The Act made no change in the existing elements of the system. With the exception of gold, every item in the system we had was practically fixed and gold was the single medium which had any elasticity.

"Then, as now, gold was freely exported and imported according as the balance of trade was against the United States or in its favor. The single difficulty under the old system, so far as gold was concerned, was that there was no method by which this international ebb and flow of gold could be controlled. The nation's gold stock was raided consistently and persistently by foreign nations, and they took it away from us as they needed it, and wholly regardless of what our own demands might be.

Control of Gold Movements

"Under the Federal Reserve system we have a control over our gold supply which was before impossible. It is true that there has as yet been no occasion to test the efficiency of this control.

"If the world were not at war, and financial and trade conditions were in an ordinary state, the Federal Reserve Banks (and particularly the Federal Reserve Bank of New York) would undoubtedly have on hand a stock of foreign bankers' bills, which would permit it to meet any demand from abroad with securities of foreign origin.

"Under the conditions existing it has been neither necessary nor desirable to lay in a stock of such bills. The necessities of warring nations (coupled with the decreased imports from abroad) have turned the balance of trade so strongly in our favor that imports of gold have been the order since the readjustment following the first outbreak of hostilities.

"The concentration of gold reserves in the Federal Reserve Banks will go on—and should go on—until every ounce of gold in the country is in the vaults of these twelve banks.

"There is a prospect that the amount of the country's gold stock will steadily increase so long as the war lasts. Foreign loans placed here are paid in commodities and munitions needed by the belligerent powers.

"The gold stock of the United States is now placed at $1,890,000,000; and at this time no nation in the world is in a position to take any part of this amount from us without our consent. It is probably the first time in the history of American finance when we were at once in possession of an enormous supply of gold and of the ability to control it.

"The other elements in our currency system, except, of course, the Federal Reserve notes and what remains outstanding of the emergency note issues, are in exactly the same condition as before the passage of the Federal Reserve Act.

Other Forms of Currency

"Of silver and silver certificates the amount is $721,000,000. This amount is fixed by law and cannot be changed except by act of Congress. This currency is worth 100 cents on the dollar only because of the legal obligation of the Secretary of the Treasury to maintain silver at a parity with gold.

"It is unnecessary to estimate the intrinsic value of this $721,000,000. It is a heritage from a period when we were gathering experience in the matter of finance, and we have not yet paid in full the cost of the experiments.

"It is the hope and the assumption of the advocates of sound money that eventually some method will be found of retiring and redeeming the silver issues, just as it is the hope and the assumption that the United States notes will be eventually retired.

"Of the latter notes there is now outstanding $346,681,016. This amount is also fixed by law and will stand just where it is until Congress sees fit to legislate it out of existence. As it is, the war-born greenbacks have no place in any system that challenges consideration as sound or scientific.

"The difficulties which attach to the elimination from the currency scheme of the silver and greenbacks

have been so great that no fixed plan has been devised whereby they may be retired.

"With the National bank note circulation the case is different. Of National bank currency there is now outstanding $840,000,000—a larger amount than ever before since this form of currency was authorized. It seems that we have reached the paradoxical stage in which this form of currency was to be diminished only after it was first increased.

"While theoretically there is some measure of elasticity in the National bank currency, as a matter of fact there has been none worth mentioning. The amount of it has been practically measured by the amount of bonds which could be used to secure it.

"Under the old system the total amount of silver and silver certificates, of United States notes and of National bank notes, plus the supply of gold, represented the country's stock of currency for all purposes. Of these four elements in the currency, gold, as we have seen, was the only one which had elasticity.

"Under such conditions it is not at all surprising that the check system developed to proportions attained in no other country except England. The check against a bank deposit, with its limited circulating properties, was (at best) an imperfect medium of exchange. There was obviously a great need for some medium, aside from gold and bank checks, which would be elastic enough to move up and down with the activities of business.

The Federal Reserve Notes

"The Federal Reserve Act undertakes to supply a flexible medium in the form of Federal Reserve notes.

"Issued against the security of bank assets (and with suitable provisions for their redemption and retirement) these constitute a perfectly flexible medium, so far as they may be made practically available.

"It is obvious, however, that the Federal Reserve Act (instead of simplifying our currency system) has complicated it by leaving in existence all the currency elements there were and adding a new one of a different kind and character.

"At this time the country's stock of money of all kinds is greater than it ever was before. The stock is substantially as follows:

Gold	$1,890,000,000
Silver	721,000,000
U. S. notes	346,681,000
National currency	840,000,000
Federal Reserve notes	67,156,000
Total	$3,864,837,000

"If the business of the country has been depressed and decreased—and the figures would indicate that such is the case—the supply of money and currency has been increased so that for several months the supply of money must have been far in excess of the amount demanded by business.

"The situation in this respect has been emphasized by the reduction in bank reserve requirements, so that the amount of money available for commercial purposes is far in excess of any amount the country has ever had. Reduced to figures, the situation is shown in excess reserves of National banks amounting to $763,000,000, when $100,000,000 would indicate a condition of safety and soundness.

"It is impossible to review the situation in all its aspects without reaching a conclusion that the continuance of this measure of inflation will do damage, if it does not result in disaster.

"In its practical application the Federal Reserve Act, instead of providing an elastic currency system, has only added to the sum of the circulating medium the amount of Federal Reserve notes outstanding.

"The elasticity has been all in one direction. The fluctuation in the amount of the Federal Reserve notes has not been great enough to be effective.

"If the needs of the country for currency were far enough in excess of the fixed elements in the system we could probably get along very well with the measure of elasticity provided by gold and Federal Reserve notes. But the business of the country will have to increase greatly before that point is reached. In the meantime elasticity, in practical application, seems to mean nothing more than expansion.

Refunding the Bonds

"In the Federal Reserve Act, Section 18 makes provision for the refunding of the United States bonds, which carry the circulation privilege. The section begins as follows:

> After two years from the passage of this Act and at any time during a period of 20 years thereafter, any member bank desiring to retire the whole or any part of its circulating notes, may file with the Treasurer of the United States an application to sell for its account, at par and accrued interest, United States bonds securing circulation to be retired.

"The bonds are to be retired (under the provisions of this section) at the rate of $25,000,000 a year, through their purchase by the Federal Reserve Banks. A pertinent objection at this time is that it probably will not operate with sufficient speed to meet the requirements of the financial and commercial situation.

"It would not be amiss if the provisions were revised so that the retirement of the National bank currency could be brought about more certainly and more quickly; nor would it be amiss if steps were taken, as soon as Congress meets, to retire the greenbacks and make some provision for the gradual elimination of the silver and the silver certificates.

"There can be no cessation in the development of the currency system of the United States until the gold stock of the country is impounded, to the last dollar, in the bank reserves, on which is built up the credit structure of the country. There will be no cessation in the development until every element in our patch-work currency system (except gold and Reserve notes) has been completely eliminated."

WORK OF THE AGRICULTURAL COMMISSION

At the recent Spring meeting of the Executive Council of the American Bankers Association at Old Point Comfort, Va., B. F. Harris, Chairman of the Agricultural Commission, presented the following resolution, which was adopted:

"Whereas, agriculture is the backbone and sinew of the nation, if it is successfully conducted—if the priceless fertility of the soil is conserved—if rural life is strengthened and bettered until no one will desert the soil—then every person in the United States will benefit and this Nation will better be enabled to work out its great destiny.

"When the soil will produce, as it can, greater yields at greater profits—when farms are farmed by the best methods with regard to conserving fertility—when country roads are all good roads—when country schools are all good schools—the future of this Nation is certain. For it will mean a contented, successful people, prosperous beyond compare.

"The responsibility of all to assist in bringing about this great consummation is clearly recognized. It is a patriotic service. The responsibility of no class has been so clearly defined as that of the American banker—the man of all men closest to the men of the soil.

"The American Bankers Association has recognized this responsibility. It has created an Agricultural Commission. It has appropriated funds to assist in carrying on this work—to interest every one of its 15,000 members in this great task, showing them their manifest opportunity to co-operate. As an agent, it has published a monthly magazine which is read by 30,000 persons monthly, farmers as well as bankers. Members of the Agricultural Commission have given their time to this labor—they have been more than repaid by the response.

"But, great as has been this response, the opportunity to do more is even greater. The Nation is just waking up to its duty toward agriculture. The activity of the American banker has been welcomed by all forces. The great farm journals and the leading agricultural educators have repeatedly called attention to the peculiar opportunity of the banker to urge on this great work for agriculture and his work can be more effective than ever; therefore,

"Resolved, that every member is urged to acquaint himself at first hand with the purposes of the Banker-Farmer movement by communicating direct with 'The Banker-Farmer,' Champaign, Ill., and if possible to follow the example of the several hundred bankers who are buying this publication every month and distributing it to their customers.

"Resolved, that the officers of the Association are hereby urged to co-operate with the Agricultural Commission in every way possible.

"Resolved, that the General Secretary is hereby authorized to forward a copy of this resolution to every member of the association."

The above resolution is published in this issue of the JOURNAL-BULLETIN in accordance with the terms of the last paragraph in the resolution.

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PROTECTIVE WORK ENDORSED

The Executive Council of the American Bankers Association, at its recent Spring meeting at Old Point Comfort, passed a resolution expressing its entire confidence in the work of the Protective Committee and the William J. Burns International Detective Agency, with the recommendation that the present arrangement be continued. This resolution is to be read for the information of the Association at the Seattle convention, and is as follows:

"Whereas, The Protective Committee has made a detailed report establishing to the satisfaction of the Executive Council the efficiency of the present Protective System, and

"Whereas, It is desirable that the membership shall be advised of this satisfactory condition of the Association's protective feature; therefore be it

"Resolved, That the Executive Council hereby expresses its entire confidence in the Protective Committee and the William J. Burns International Detective Agency, and be it further

"Resolved, That the Executive Council hereby recommends the continuance of the contract with the Burns Agency, and be it further

"Resolved, That the General Secretary is hereby directed to read to the convention, in meeting assembled in Seattle, this resolution for their information."

The Ohio Bankers Association, at its convention at Cedar Point, unanimously adopted the following:

"Whereas, The Executive Council of the American Bankers Association has unanimously recommended the renewal of the contract with the William J. Burns Detective Agency exclusively, for the protection of the members of said Association under the direction of the Protective Committee thereof, and

"Whereas, The three representatives on said Council from this State, at the request of the Secretary of the American Bankers Association, ask the endorsement by this Association of such action; therefore

"Be it Resolved, By the Ohio Bankers Association, in annual meeting assembled, that it approves of the employment of the W. J. Burns Detective Agency for the purposes above mentioned."

Issuance of Bank Acceptances Under the Federal Reserve Act

Explanation of the Principles Involved and Division Into Classes—Banks Should Find in Acceptances a New Source of Substantial Profits, Besides Indirect Benefits.

By ALBERT BRETON
Vice-President, Canal Bank and Trust Company, New Orleans, La.

THE sudden declaration of the European war last August was the direct cause of some of our National and State banks going into the acceptance business, and this almost immediately after the Federal Reserve Act went into operation.

With the members of the New York Clearing House disposing of an aggregate capital and surplus of nearly half a billion dollars, among which we find large banks of international reputation, the American importer of coffee or cocoa from Brazil, sugar from Java, silk, tea or matting from China and Japan, jute bagging from East India, found himself obliged until recently to seek in London, or in some other foreign city, the necessary bank credit to settle for his purchases abroad. Any proposition on his part to furnish a credit on an American bank was flatly turned down on account of New York not having then, like London, Paris, Berlin and Amsterdam, a regular discount market where bank acceptances could be quickly converted into cash by the buyers or holders of the foreign drafts to be issued, in these particular cases, against goods bought by an American firm, shipped to an American port and to be consumed in America.

The word "Acceptance" is not used abroad except to designate the act of the drawee accepting in writing on the bill of exchange the request of the drawer and binding himself to pay same at maturity. The expressions employed in London are Foreign Bills when the bills are issued in a foreign country, and Inland Bills when the drafts are issued in Great Britain.

From a banking standpoint in America, what is a bank acceptance? Nothing but the certification of a time draft by the bank on which it is issued. The certification of a check, which is the only one mentioned in some of our banking laws, binds the bank to pay the check on presentation, whereas the acceptance of a draft binds the accepting bank to pay same at maturity.

In Europe banks give their acceptances either against satisfactory collateral or against an open line of credit granted to their customer In extending this facility, the foreign banks proceed practically on the same basis and principles as they do when discounting commercial paper, the only difference being that, when accepting, they lend their credit instead of their funds, and charge a commission instead of interest.

The British and Continental banks of Europe always follow the policy of reserving their acceptances to bills representing actual commercial transactions or drafts issued for bona fide commercial purposes. I am sure that this safe and logical policy will be adopted by American bankers and embodied in all future State banking laws, but, in my personal opinion, I regret that the new Federal Reserve Act goes too far in that direction by limiting the discounting of acceptances by Federal Reserve Banks to bills representing transactions with foreign countries and only when issued against actual imports or exports of merchandise. This certainly looks like a discrimination against our home trade and our interstate commerce.

The accepting of domestic or inland bills of exchange by American banks, which the Federal Reserve Act forbids to National banks and other member banks of the Federal system, has been thoroughly and publicly discussed during the last few months. Many of our prominent financiers favor the extension of bank acceptances to our domestic business but the framers of the Federal Reserve law have opposed such a liberal course. I dare say, in fairness to our legislators, that, realizing the large field that can be embraced by this entirely new system of credit, they are inclined to be rather prudent and prefer to wait for the recommendations that, after one or two years of practise, the members of the Federal Reserve Board will probably make to Congress, tending to a more liberal and more consistent financial policy towards our domestic commerce.

I do not hesitate to repeat that a great deal of caution and foresight should be exerted by the banks in using this new privilege. Acceptances granted for the purpose of carrying goods to corner or manipulate any market or in view of carrying stocks or other securities for speculation, as well as acceptances based on long term operations or on mortgages, building contracts, machinery equipment, timber stumpage, etc., should be barred entirely; any bank disregarding these principles of sound business would soon find its credit shrinking and its acceptances unsalable even at high rates of discount. Proper and correct discrimination will also be in order in our new open market rate of discount, resulting in big differences in rates being charged on bills accepted by institutions giving their names too freely or unwisely. These differences will be the best barometer for indicating a bank's standing and credit in our financial circles and will soon be reported and known all over the country.

Having explained the main principles governing the issuance of bank acceptances, let us see how they may be handled. In this connection, I will divide bank acceptances into four classes:

First—Import Acceptances.

Second—Export Acceptances.

Third—Domestic Acceptances.

Fourth—Finance Acceptances.

The first three classes are acceptances all drawn by commercial houses, whereas the fourth class, which I call Finance Acceptances, are bills drawn by one bank on another bank.

Import Acceptances may be considered, for the present, the most important among the four classes, as, taking into consideration the enormous values represented by the staple products imported into this country, they will most probably develop into a large and profitable additional business for the American banks.

The way these credits are handled may be shown in the following instance: When an American firm buys a lot of coffee in Brazil to be shipped to America, it makes an arrangement with a bank by which the shipper of the coffee will draw on such bank at ninety days sight, the usual shipping documents to be attached to the draft and to be delivered to the bank upon its acceptance of the draft. The bank keeps these documents as collateral against its acceptance and it is up to the customer of the bank who imports the coffee to make the necessary financial arrangements to enable him to get possession of the documents when the coffee arrives in the United States.

Up to this time ninety per cent. of these coffee credits, I may safely say, were issued on London under the guarantee of some American bank which handled the documents and which divided the commission with the foreign bank. The same explanation and same remarks may be applied almost exactly to the importation of other products, such as sugar, silk, tea, matting, jute bagging, etc.

There is no longer any reason why this legitimate and attractive business should not be handled by the bankers of the United States, and since a regular discount market exists in New York, with daily quotations, the banks in Brazil, as well as in other foreign countries, ought to negotiate time bills drawn on first-class American banks on the same basis as they buy time bills on London and other cities of the Continent. There is no longer any reason for them to discriminate against American bank acceptances and charge prohibitive rates and extra commissions on bills drawn on New York. If they do, it must certainly be on account of undue prejudice, which cannot last long, and against which our new laws allow our banks to safeguard themselves by the establishment of foreign branches or the organization of new banks under American financial control to operate in foreign markets.

Not only may the introduction of bank acceptances be expected to bring substantial new profits to our banks but some other indirect satisfactory and interesting results may also be anticipated; New York being now an open discount market, many large foreign banks will probably be inclined to invest a part of their surplus funds in bills accepted by American banks. This will increase very largely the volume of their exchange operations in the United States and most probably lead them to carry much larger balances or even open additional accounts in America. New accounts may also be opened by some institutions which, up to now, had no direct connection with our country, or new branches of leading foreign banks established to conduct and handle in New York the business diverted from other financial centers. Without being too premature, we may accordingly foresee for our banks an increase in deposits of foreign banks and bankers, mainly in New York, but also in Chicago, St. Louis, San Francisco, New Orleans and a few other Reserve cities. Such an increase would offset to a fair extent the anticipated large losses in deposits of National banks in Central Reserve cities arising from the transfer within two and a half years of all National bank legal reserves to the Federal Reserve banks of their respective districts.

Referring to *Export Acceptances*, we cannot expect our banks to do a large acceptance business from actual exports. Reimbursement for goods sold to foreign countries is, as a rule, provided for by the buyers abroad, who generally make direct arrangements with their local bankers. It may happen, however, in the future, for foreign banks and bankers carrying accounts in America, principally when money is cheaper here than abroad, to open direct credits on their American banking correspondents in favor of the exporting firms in the United States. Such may be the case with some of the Scandinavian, Russian, Greek, Chiness and Japanese banks and most probably on a larger scale with the South American banks.

Bank acceptances against exports may also prove useful to the merchants of the United States consigning goods or selling same for future delivery in foreign ports. The banks may accept time drafts with these goods pledged as collateral during the time they have to be carried abroad by the shipper, and transactions of this character may particularly interest the cotton, grain and lumber exporters.

As far as *Domestic Acceptances* are concerned—I mean bank acceptances drawn by a firm located in the United States on an American bank against local commercial credits or relating to transactions arising from interstate commerce—I think they should be handled, as they are by European banks, on the same principles and basis ruling the purchase of commercial paper or the granting of merchandise loans. According to present laws, all our National banks and other members of the Federal Reserve system are prohibited from accepting such drafts; such is not the case with State banks and trust companies, although all of them have naturally

to bear in mind their respective State banking regulations, many of which make no mention of bank acceptances, although not prohibiting same. I venture to say that most of the State banking departments of this country recognize bank acceptances as legitimate banking transactions.

The fourth class of acceptances mentioned by me as *Finance Acceptances* are bills drawn by one bank on another bank. I have not heard yet of any American bank having accepted bills drawn by another American bank, and it may take some time before such bills make their appearance in our discount market. All Federal, National and State banking laws are silent about them. These acceptances are called finance bills in London and the purpose or reason of their issuance is very closely scrutinized by English discounting houses; they are rather inclined to treat these bills as accommodation paper and to discourage their negotiation.

In the United States we have seen in the past a few banks of the South and the Pacific Coast draw ninety-day sight bills on their London or Paris bankers to supply themselves with additional funds to move the crops of their respective territories. These drawings appear to me as perfectly legitimate and are especially attractive when money rates rule cheaper in London or Paris than in New York.

Foreign branches of European banks often draw long bills on their head office or on their other branches to accommodate their local customers with exchange to meet their financial needs outside of their own country. Now that the National City Bank of New York has opened branches in South America and that a few American banks may decide to do the same in other foreign countries, we would like to know whether it will be the policy of the Federal Reserve Board to allow said institutions to accept time drafts issued by their own foreign branches. This question is a rather interesting one, inasmuch as the issuance of such long drawings by foreign branches of American banks may facilitate their buying and accumulating of gold abroad and their shipping it to their head offices in the United States according to the requirements of their foreign exchange operations.

Regarding the *maturity* of bank acceptances, most of the bills in Europe run for sixty or ninety days after the date of presentation to the accepting bank; however, bills issued in far distant countries like China, Australia and India run often for four and six months. Bills over six months are not negotiable in the open market in London and Paris.

In the United States the Federal Reserve Act limits the maturity of bank acceptances to three months after the time the bills are presented for discount to the Federal Reserve Bank.

Another important point refers to the rates applied to the *negotiation or the discounting* of bank acceptances by the holders of the bills. In Europe, and principally in London, bank acceptances are more or less classified by the discounting houses according to the financial strength, character of the management and general standing of the accepting bank. The principal classes of acceptors may be summarized as follows:

First—London Clearing House banks and other prime British banks and bankers. This class would correspond in the United States to the large banks and trust companies members of the New York Clearing House, also many well-known private banking houses in New York and the leading institutions in other Central Reserve cities, as well as in Boston and Philadelphia.

Second—First-class banks and bankers, corresponding to many of the New York, Chicago and St. Louis Clearing House banks and the most important banks of the Reserve cities.

Third—Regular bank acceptances, meaning any other bank in good standing considered well managed and good for its obligations.

I have omitted some other classes of bank acceptances, such as those known as "domiciles" and other foreign acceptors, which are not expected to be dealt with in the United States for some time to come.

According to money market conditions and prevailing rates, the buyers of bank acceptances make differences ranging from one-quarter to one-half of one per cent. between the first and third classes of acceptors. When a bank shows a tendency to accept too freely and its name appears on the discount market for amounts disproportionate to its resources, the difference reaches much higher figures and it even happens that bills accepted by banks subject to such criticism are not negotiable at all.

The above remarks are presented without any reference to the endorsements that the bills may bear; when the bills offered for discount are endorsed by another bank or firm, the buyer naturally takes also the additional responsibility of the endorsers into consideration.

The fact that bank acceptances are regarded as the best quick asset for a bank portfolio, and that they almost constitute a supplementary cash reserve, explains why the banks or discounting houses buying the bills must be so particular in their appreciation of the acceptor's and endorser's respective credit.

From what I can judge by my short experience in the handling of bank acceptances in this country, and following the British custom to make acceptances payable in London, American banks should, whenever convenient, make their acceptances payable in New York or some other Central Reserve city; this will make the bills more attractive to our large financial institutions and banking houses and will put their holders in a position to get lower rates of discount.

The last phase of my subject concerns the limit within which or the amount up to which a bank should confine its acceptance business to keep within safe and conservative lines. In the Old World there seems to

be an unwritten law, which is very closely followed by all the leading financiers, limiting the amount of acceptances of a commercial bank (I mean a bank receiving deposits subject to check and doing a regular loaning and discounting business) to the aggregate amount of its capital and surplus. Exceptions to this rule have, however, taken place, due to abnormal monetary conditions or during commercial or political disturbances. The limit above mentioned is the one adopted in the United States by the Federal Reserve Board under the provisions of the Federal Reserve Act. There are, however, in London some strong banks doing exclusively an acceptance and credit business which, on account of their not carrying any regular demand obligations or contingent liabilities as endorsers, furnish their acceptances for three, four or five times the amount of their combined capital and surplus.

Government and central banks abroad, as well as our new Federal Reserve Banks, do no acceptance business, their liabilities being restricted to their notes in circulation and to their customers' deposits, all due on demand.

Apparently the banking laws of the different States lack any provision for a limit to the amount of acceptances by banks and trust companies under their jurisdiction, but it is quite probable that from now on we will see their respective legislatures enact new laws to recognize officially and regulate under a practical and logical basis this new branch of the banking business.

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MORTUARY RECORD OF ASSOCIATION MEMBERS

BENNETT, LINES.—President Helmer & Gortner State Bank, Mechanicsville, Iowa.
BLAIR, DE WITT CLINTON.—Of Blair & Company, Bankers, New York City.
CHAMBERLAIN, WILLIAM P.—President Citizens National Bank, Keene, N. H.
CLARK, ELTON W.—Cashier Security Bank, East Side Branch, New York City.
CLARK, HENRY.—Director Metropolitan Savings Bank, Baltimore, Md.
COBAN, C. D.—Vice-President First National Bank, Elwood City, Pa.
CUSHMAN, EDWARD DICKINSON.—President Monson Savings Bank, Monson, Mass.
DICKSON, SAMUEL.—Director Corn Exchange National Bank, Philadelphia, Pa.
FOSTER, ARTHUR W., Jr.—President Bank of San Rafael, San Rafael, Cal.
GARNER, CHARLES EDWIN.—Chairman of the Board, Florida National Bank, Jacksonville, Fla.
GOODWIN, JAMES J.—Director Connecticut Trust & Safe Deposit Company, Hartford, Conn.
GRANT, FRANK.—President Rockville National Bank, Rockville, Conn.
HACK, FREDERICK HOLME.—Director Farmers & Merchants National Bank, Baltimore, Md.
HALE, JOSHUA.—Trustee Newburyport Savings Bank, Newburyport, Mass.
HANCOCK, WILLIAM S.—Director Mercer Trust Company; Trenton Banking Company; Trenton Savings Fund Society, and Trenton Safe & Deposit Company, Trenton, N. J.
HEIN, JOHN F.—President Brookfield State Bank, Brookfield, Ill.
HINRICHS, JOHN W.—Vice-President First National Bank, Hood River, Ore.
HITCHNER, R. M.—Director Bridgeton National Bank, Bridgeton, N. J.
HOYT, WILLIAM B.—Director Commonwealth Trust Company, and Third National Bank, Buffalo, N. Y.
JOHNSTON, GEORGE BURKE.—President Planters & Merchants Bank, Uniontown, Ala.
LEWIS, JOHN DEXTER.—Vice-President United National Bank, Providence, R. I.
McCANDLISH, UPTON B.—Cashier Davis National Bank, Piedmont, W. Va.
McQUADE, ROY R.—Assistant Cashier First National Bank, Coleraine, Minn.
McWHIRTER, FELIX T.—President Peoples State Bank, Indianapolis, Ind.
MILLER, F. A.—Vice-President Northville State Savings Bank, Northville, Mich.
MORGAN, S. B.—Vice-President National Manufacturers Bank, Neenah, Wis.
MOULTON, CHARLES H.—President Waltham National Bank, Waltham, Mass.
PATRICK, JOHN C.—President Citizens National Bank, Tell City, Ind.
PATTON, W. H.—President First State Bank, Fowlerton, Texas.
PEARCE, JOSIAH SIBLEY.—President Merion Title & Trust Company, Ardmore, Pa.
POGUE, JAMES B.—Cashier Hinckley State Bank, Hinckley, Ill.
SALZER, BENJAMIN F.—Vice-President Central Savings Bank & Trust Company, Denver, Col.
SMITH, ANDREW R.—President Cooperstown National Bank, Cooperstown; President Canajoharie National Bank, Canajoharie, N. Y.
THORSEN, J. B.—Cashier First National Bank, Elgin, Ore.
VAN VOORHIES, RALPH JOSIAH.—Director Sacramento Valley Bank & Trust Company, Sacramento, Cal.
WORSHAM, W. B.—Director American Exchange National Bank, Dallas, Texas.

National Bankers Urged to Start Savings Department to Promote Thrift

Large Proportion of Funds Needed to Provide Fresh Capital for Country's Growth Could Be Furnished by Savings—Address Before Texas Bankers Association.

BY JAMES G. McNARY

Vice-President, First National Bank of El Paso, Tex.

WHEN I selected "Thrift and Saving—A National Duty" as my subject, I was prompted by the consideration of the world's financial problem arising from the stupendous cost of the great European war. Not having made a study of the subject of thrift and saving myself, I was astonished when I began to look for facts and material to find how much thought had been given this question by others, and how much has been written and published concerning it. I was also gratified to find that the *Savings Bank Section of the American Bankers Association* had, several years ago, inaugurated a systematic campaign of education to promote the spirit of thrift. If that was a necessary and important step five years ago, it is ten-fold more important to-day, as the great saving and lending nations of Europe are now out of the market as lenders of money and will be calling their loans to take care of their own vast expenditures at home.

We find the people of this country face to face with the absolute necessity of creating their own great reservoir of capital from which to meet the drain of financing our railroad, electrical and other industrial developments, as well as our municipal and State expenditures. Over a year ago Mr. Frank A. Vanderlip addressing representatives of the electrical industry of the United States, stated that $400,000,000 a year, or $8,000,000 a week, of fresh capital would be needed to finance the development of the electrical industry during the next five years. Further, Mr. Vanderlip said:

"To get a full appreciation of the difficulties, you may well glance outside of your own field and note that there will mature within that five-year period well over $1,000,000,000 of steam railroad securities. We may well note, too, that railroad development in the last five years called for from $2,500,000,000 to $3,000,000,000 of new capital, and I would say that there is every reason to expect at least as great demands, in addition to the refunding operations in the next five years. The railroads, then, in five years will need, say, $4,000,000,000 for refunding and fresh capital. States and municipalities, should they take no more new capital in the next five years than they have in the last five, will absorb in the neighborhood of $1,500,000,000 more, so with the two billion dollars which the electrical industry will need, there should be provided, between now and the end of 1918, between $7,000,000,000 and $8,000,000,000 for these three purposes alone, to say nothing of general industrial and other needs."

It is interesting to note that the vast sum of eight billion dollars named above by Mr. Vanderlip just about equals the total savings deposits of the people of the United States. The most reliable estimates place the number of savings depositors in this country at twenty million. If each of these depositors would save $50 a year, this would go far toward providing funds sufficient to take care of the outlay of fresh capital estimated by Mr. Vanderlip; but our present savings depositors are apparently not likely to make any such record as this, judging by the records of the savings banks of New York State. Of the total accumulated savings in this country one-fourth, or two billion dollars, is deposited in the savings banks of the State of New York. These deposits increased by thirty million during the year 1914, but the interest credited to depositors exceeded sixty million. Savings depositors, therefore, in the mass, drew out over half of the interest credited to them and put in no new money. It, therefore, does not appear likely that the twenty million savings depositors in this country at the present pace will supply the vast sums needed for our country's development.

President Wilson, speaking before the American Bankers Association at Denver seven years ago, said in substance that the greatest need of the American banker to-day is to find a shorter road to the minds of the American people, and he added, I mean m-i-n-d-s. He might have added that the same road would lead to America's greatest mine; for, if the seed of thrift can be planted in the mind of the American people and made to grow and bear fruit, it can yield a harvest of gold many times greater than all our mines of gold and silver. During the past fifteen years the mines of the United States produced gold and silver valued at one and one-half billion dollars; while, during the same period, the accumulated savings of the people increased from four to eight billion dollars, and this in spite of our natural wastefulness and extravagance.

That the minds of the people can be reached and profoundly impressed in a short period of time, when a systematic effort is put forth on a broad scale, can be proven by advertising campaigns which have been carried on in the interest of scores of different manufactured products. I believe this point can best be

illustrated, however, by the recent nation-wide movement on the part of the transportation interests in behalf of the "Safety First" idea. It is certainly due, in part, to this propaganda that the number of persons killed and injured in train accidents has been steadily reduced in the past three years from 17,000 in 1912 to 12,000 in 1914. More significant than these figures is the fact, of which we are all conscious, that we cannot start to run in front of a moving street car or approach a railroad crossing in our automobile without the slogan of "Safety First" passing through our minds and prompting an impulse of caution.

If the transportation interests in a very short period of time have succeeded in making an impression on the minds of the people, and effecting an economy in human life, certainly it is not too much to claim that the banking interests of the country, if they were to unite in a vigorous and systematic campaign of education, could impress the minds of the people and bring about an amazing economy in dollars and cents. The newspapers and periodicals of the country, through which the people must be principally reached, would be found most responsive to such an effort and ready to lend great assistance. It is hard to teach an old dog new tricks, and the minds most ready to respond to the appeal for thrift will be the minds of the children.

The Savings Bank Section of the American Bankers Association has done excellent work along this line by encouraging the establishment of School Savings Banks. Its weekly bulletins on the subject of thrift are also of great value. Too much emphasis cannot be laid on the importance of personal effort on the part of each banker among his own customers and in his own community, as, for instance, by talks before the young people in the high schools, the boys in the Y. M. C. A., the men in the shops and the various business men's associations. Probably no man is in the position to more strongly impress his ideas on his community than the average banker if he will exert himself.

By continuing to preach thrift and economy, the banker runs the risk of putting himself in the position of having to take his own medicine and practise thrift and economy himself.

I would urge upon every National banker who has not already done so the importance of opening up a Savings Department in his institution and starting an advertising campaign along this line.

It is proper to call your attention to the fact that the spirit of thrift and savings seems especially lacking in the South and West. In six New England States sixty out of every 100 men, women and children put by their nickels and pennies for a "rainy day"; while, in the South and West, scarcely sixty out of each 1,000 save systematically. The financial independence and prosperity of the South and West can be advanced wonderfully if the bankers of these sections will bestir themselves in a united effort to encourage the people to lay aside a small proportion of their earnings in savings banks, which would soon materially increase the visible supply of capital available for the needs of our commerce and industries.

While most of the rest of the world is bent on destruction, is squandering its wealth and recklessly wasting life and property, it is manifestly our duty to return to a simpler and more economical scale of living. The American people by thrift and economy must do what they can to establish and maintain the financial balance of the world.

I believe that the greatest constructive service the bankers of any city, or any State, or of the nation, can perform at this time is to endeavor, by every means at their command, to impress upon the minds of the people the necessity for each individual man, woman and child striving to practise the virtue of thrift.

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ONE PENALTY FOR EXCESSIVE EXCHANGE CHARGES

In the discussion of the matter of check collections at the New York State Bankers convention Wilbur F. Beale spoke of the strong feeling on the part of the country banks that the new system is to deprive them of profits. Mr. Beale said: "I took one little bank in New England that charges one-tenth of one per cent. on its collections and found that its annual turnover was about $5,000,000, upon which there was a heavy overload, and that the bank was making a paper profit of $5,000. The question occurred to me, Where does that profit come in? Upon conference with a number of credit men and traveling salesmen I ascertained that in almost all of the large wholesale houses in New York and Boston there was an order to their salesmen to discriminate against that town. In other words, the salesmen who traveled there had a verbal understanding with their chiefs that some time during the year an eighth of a cent per can on tomatoes, or an eighth of a cent per yard on some material was to be put up against the merchants in that particular town to offset the cost to the wholesaler for the exchange charge on checks. Now, $3,000 to $3,500 of that exchange charge was paid by the customers of the bank out behind the woodshed. I went to the cashier of that bank and I asked him what he thought would happen if I were to travel through his town and tell the merchants, his customers, that they were being discriminated against to the tune of a dollar a thousand on every check that went over his counter. He said he didn't know, but the thought it would create something of a furore."

Banking Problems of Today Present Opportunities for Broad Development

Educational Work in Regard to Reserve Act—Immigration and Rural Credit—Railroads and Capital—Synopsis of Address at North Dakota Bankers' Convention.

BY H. J. DREHER
Marshall & Ilsley Bank, Milwaukee

FOR the past fifty years the activities of bankers have been concerned almost entirely with the development of a virgin territory. The bankers of North Dakota have done as much as any other body of citizens, if not more, to make their State what it now is. What contrast betweeen the old designation of "great desert" and the Government decennial report which shows that one-sixth of all the increase in improved land in the United States is credited to North Dakota, the increase during the past ten years being 112 per cent. more than in any other State of the Union, and that the corn production of the State has nearly doubled in the same period of time.

And now I come to place before you a series of facts and enlist you in the advancement of a great profession. In the wonderful development of your State, which has so worthily engrossed your attention, have you given sufficient thought to world-wide banking, and has your country, its needs and its future relative position among nations had the full measure of consideration that you as a banker should give to it?

The most casual observer, the most superficial student of public events, has not failed by now to realize that our country stands on the threshold of a new period of development and consequent relationships. That development is fraught with problems and dangers and it will require the best thought in America to direct it aright and make it constructive in the highest degree.

The Federal Reserve Act did not express the banking opinion of the country because the bankers as a body, and I use body in its widest significance, had no opinion to express. The most significant piece of financial legislation yet known to the country was passed by a Congress, many members of which openly stated that the bankers knew very little about banking and therefore, they, as members of Congress, were compelled to construct the banking bill. Much of this criticism was unjust, but it must be admitted that there was not a strong crystallized opinion of the banking world sufficient in power of logic and experience to compel the enactment into law of its best judgment and will. Even now a large amount of educational work is being carried on among bankers regarding the Reserve Act.

This is not unique, nor unusual, but when the fundamental principles of banking which have been known to finance since banking first became an integral part of human activity must first be argued and amplified to prove their soundness to bankers, then it does seem that the time has arrived for serious introspection and reflection. Is the Reserve Act to you simply a compact schedule of check collecting methods and exchange charges or does it embrace within itself powers so vast, potentialities so wonderful, that, properly directed, they are sufficient in dynamic force to change the entire course of history and economic development?

You are deeply interested in the development of your State, its population and increasing wealth. No State has done more in development or accomplished more in concrete results than North Dakota. Your per capita individual and commercial wealth is now $3,210, third among all the States, and yet what a large area still exists for further settlement and cultivation.

Has it occurred to you as bankers that immigration, the great science of inducing settlers to come to you and then properly assimilating them, is purely an economic problem and therefore one uniquely within your field of activity?

What waste occurs, what utter destruction of economic power by reason of the fact that the advantageous placing of settlers has not enlisted the best thought of bankers everywhere.

The problem of immigration is directly related to rural credit. Much has been written and said regarding rural credit. It is now a pressing problem. Many theories have been advanced and argued. The suggestions have embraced the Federal Government and the direct use of its funds, as well as the States and the direct use of their funds.

In the largest number of instances in developed communities the credit most needed by the former is personal credit and not land credit. The owner of a well cultivated, well equipped farm, has little trouble in procuring credit at proper rates of interest. If rates paid are higher than the average for similar loans in urban communities the cause may usually be attributed to the farmer, for it is he who defers payment of principal and interest after maturity, or demands loans for periods of time longer than ordinarily prevail in the extension of credit, and therefore compels the banker, in self-defense, to charge a higher rate of interest than would be done were methods used that are ordinarily employed in similar transactions.

The great problem, it seems to me, concerns in largest degree the tenant and young farmer who, having saved money, desires to own and poerate a farm.

Their accumulated capital is used for a partial payment on the acquisition of virgin soil and the purchase of essential tools. Uncultivated or cut-over lands obviously cannot be deemed the best security by a banker entrusted with the responsibility of safely investing funds on deposit with him, nor would it be prudent to invest funds secured by mortgages upon such lands in the amount which proper development would demand. His first duty is to those who carry balances with him and they, of course, are those who have brought their farms to that state of cultivation which results in an ability to carry such balances. Co-operative credit societies in a new and developing section would not ordinarily be abundantly successful.

There is at the present time a rapidly developing tendency on the part of many bankers, particularly in agricultural communities, to refrain from placing any funds in public service securities. The result is an ever increasing margin between the financial needs of such enterprises and the funds supplied. This leads to but two inevitable conclusions—curtailment of development or governmental control. Both conclusions present vast and almost overwhelming problems and results.

There has unquestionably been an abuse in the issuance of securities by public service corporations. They have in many instances been issued upon unsound principles of finance.

But the bankers have permitted this to continue many years unchecked. If the same strong representations had been used to make the issuance of public service securities safe as have been used to make farm mortgages the desirable investment they have become, how different to-day would be the history of American finance.

The bankers of the nation must continue in the future as in the past to purchase the securities issued for essential development purposes. But that conditions existing in the past may never again occur it would be not only the part of wisdom, but also of disinterested and lofty public service to compel the remoulding of the financial policies of corporate enterprise.

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COMPUTING RESERVES—THE QUESTION OF "FLOAT"

FROM THE ADDRESS OF BENJAMIN STRONG, JR., BEFORE THE NEW YORK STATE BANKERS

In discussing check collections Governor Strong said that the purpose of the Reserve banks was to perform a necessary service for the members and not to derive them of legitimate revenue. One of the difficulties to be overcome relates to the so-called "float." As to this, Governor Strong said: "The Federal Reserve Act is silent as to the method which the country banks shall follow in computing deposited reserve. Theoretically, these reserves have in the past been cash balances in bank; in fact, they have not been real cash balances to a considerable extent. By the old practise, which has always been permitted, the country bank each day remits a cash letter to its collecting agent in a Reserve city, and on that day charges the amount of that cash letter to its reserve agent and considers it a cash balance and part of its reserve. These checks in transit to the reserve agent constitute the real 'float.' After they reach the reserve agent they become a reserve balance because the reserve agent advances the amount of the checks, for which it gives immediate credit and allows interest on the balance after deducting the time estimated for collecting the checks. The Federal Reserve Act provides that the member banks shall 'establish and maintain' reserves on deposit with the Federal Reserve Banks; it does not say that the reserves so 'established and maintained' shall consist partly of cash and partly of these uncollected checks, which are in the post-office on the way to the bank. Stated differently, I think it means that the reserves to be deposited in the Reserve banks shall be as shown on the books of the Reserve banks, and not as shown on the books of the member banks. * * *

"If the old method of handling checks should be adopted by the Reserve banks, instead of the one proposed, these reduced reserve balances would be further reduced by advances of the amount of checks received by them for collection, as is now done by the reserve agent banks, thereby further depleting the resources of the Reserve banks by the amount of checks sent out for collection for the Reserve banks themselves. Such a reserve situation would be absolutely unsound. The resources of the Reserve banks would be too largely invested in uncollected checks, and the reserve balances of the member banks would be too largely paper balances. This new definition of what constitutes a deposited reserve is in reality the correction of a banking abuse in the use of checks as reserve which should have been corrected before it reached the present unsafe proportions. It is, in fact, an unavoidable consequence of the transfer of reserves now being made, unless the reserve provisions of the Act are to be ignored.

"To summarize, therefore: The difficulty in respect to the 'float' is that the member banks, after two years, will be obliged to calculate their reserves as shown on the books of the Reserve banks. In the case of member banks of this district, they will not, after two years, be able to count a cash letter as a cash reserve with a Reserve bank until the letter reaches the bank and the checks are cleared, which means one day's time only. If this is a hardship, as it doubtless appears to be, let me remind you that it is also a hardship for the victim of a drug habit to give up the use of drugs."

CHANGES MADE IN JOURNAL-BULLETIN MEET MEMBERS' DESIRE FOR IMPROVEMENT

NEW clothes usually attract attention and frequently invite it. This issue of the JOURNAL-BULLETIN invites attention, through the medium of a new typographical dress, a new cover and a separate Protective Department section, to the changes which have been made and are still in progress as a result of the deliberations of the Executive Council at its recent Spring meeting.

It will be recalled that at this meeting a difference of opinion developed as to the improvements which were deemed desirable, but on one thing the special committee on the JOURNAL-BULLETIN were agreed, namely, that a higher standard should be set. This matter was left in the hands of the Administrative Committee with power, and this issue represents the beginning of a fairly definite attainment towards the desired end.

Members of the Association will naturally notice first the different cover design, which is intended to be more attractive and at the same time in keeping with the dignity of the organization. In the panel provided in the lower part of the cover will appear each month the headings of the two or three most important articles in the issue, a practise which is in line with the best standards of up-to-date magazine publication.

The next notable feature is the separation of the Protective Department from the body of the magazine and its publication as a separate section. While the work of the Protective Department is most important, at the same time the matter contained in this section is not such as to make it desirable for general circulation. Hence the change will make it possible for the Protective Department section to be placed in the hands of the paying teller, where it properly belongs, for convenient and ready reference, without depriving some officer of the bank of the JOURNAL-BULLETIN in so doing. It is suggested that each bank may provide itself with a binder, which can be procured at a nominal cost from any stationer, and in which each month's issue of the Protective section can be securely placed and preserved against the wear and tear of handling. This will also render it easy for the entire twelve issues printed during the year to be bound into one complete volume in order that a permanent record of the activities of bank criminals may be at hand at all times.

In the matter of typographical appearance, it would be more or less unintelligible to the layman to describe the change technically, so it will suffice to say that the new type is larger than the old, with more space between the lines, which will make it more readable and a great deal easier on the eye. It may be added that so far as typography is concerned, no effort will be spared to make the pages clean-cut and attractive.

At the Spring meeting there appeared to be a unanimous desire for improvement in the quality of the articles and paragraphs. This has been met by divorcing the important articles which might appear under the various Section headings from those departments, and printing them as separate articles under headings which give them the proper display and importance. It has been found in the past that articles of merit were frequently deprived of the notice to which they were entitled by being subordinated to Section headings. In addition, it will be the endeavor to secure from time to time special articles written by men prominent in their respective fields on particular topics of banking and finance.

It is not to be assumed, of course, that a program so ambitious can be realized in one issue or even in two or three issues, but so far as may be possible an effort will be made to produce each month a JOURNAL-BULLETIN better than its predecessor, and one which will reflect the desire of the membership for an official organ of the highest character.

BOUND VOLUMES OF THE JOURNAL-BULLETIN

With this issue the JOURNAL-BULLETIN commences Volume 8. Copies of Volume 7, containing the twelve numbers complete from July, 1914, to June, 1915, inclusive, are now being bound in morocco, with cloth sides and gold stamping, uniform with the volumes of previous years. A limited number of these copies will be available at $2.50 each to those members who desire them. The book contains a complete index, which was published in connection with the June issue.

ALL RECORDS BROKEN BY $65,000,000 CHECK

The largest single check ever drawn in this country was one for a $65,000,000 bond issue given by Kuhn, Loeb & Co. in payment of that amount of general mortgage 4½ bonds of the Pennsylvania Railroad. The bonds were purchased some time ago by Kuhn, Loeb & Co., underwritten by a syndicate, and subsequently sold on public subscription. The checks received in payment were deposited by the bankers in the National Bank of Commerce, upon which a check for the entire issue was drawn in favor of the Pennsylvania Railroad. That company deposited the Kuhn-Loeb check in the same bank, thus clearing the whole transaction in the one institution without affecting the day's transactions at the New York Clearing House.

REGISTRATION AT THE ASSOCIATION OFFICES

DURING THE MONTH OF JUNE, 1915.

Burns, William J., President William J. Burns International Detective Agency, Inc., New York City.
Burns, William S., Secretary William J. Burns International Detective Agency, Inc., New York City.
Bennett, Walter H., Vice-President American Exchange National Bank, New York City.
Coonley, C. D., Coal & Iron National Bank, New York City.
Cox, H. M., Cashier The Citizens Bank, Mount Olive, N. C.
Crosby, George A., Cashier Second National Bank, Bangor, Me.
Cutler, Ralph W., President Hartford Trust Company, Hartford, Conn.
Fagan, Frank F., Cashier National Bank of Rocky Mount, Rocky Mount, N. C.
Fries, F. H., President Wachovia Bank & Trust Company, Winston-Salem, S. C.
Goodchild, Miss Clara M., Detroit, Mich.
Gorin, J. P., Vice-President Milliken National Bank, Decatur, Ill.
Griswold, H. H., Cashier Peoples National Bank, Westfield, N. J.
Hall, Myron S., Secretary Buffalo Trust Company, Buffalo, N. Y.
Hilton, Frank L., Assistant Cashier Merchants National Bank, New York City.
Hyde, Fred W., Cashier National Chautauqua County Bank, Jamestown, N. Y.
Johnson, J. H., President Peninsular State Bank, Detroit, Mich.
Law, Wm. A., President First National Bank, Philadelphia, Pa.; President American Bankers Association.
Lewis, G. E., Assistant Cashier Hanover National Bank, New York City.
Lewis, J. A., Cashier National Bank of Commerce, St. Louis, Mo.
McIlvoy, George A., New York City.
Parker, H. G., President National Bank of New Jersey, New Brunswick, N. J.
Ruffin, B. A., Secretary Insurance Committee, American Bankers Association, Richmond, Va.
Sands, Oliver J., President American National Bank, Richmond, Va.
Seymour, W. W., Manager Bond Department, Trust & Deposit Company of Onondaga, Syracuse, N. Y.
Smith, J. Roland, Brooklyn, N. Y.
Stroud, W. E., Assistant Cashier Wayne National Bank, Goldsboro, N. C.
Van Deusen, W. M., Cashier National Newark Banking Company, Newark, N. J.
Waine, Mrs. W. W., New York City.
Wallace, J. C., Philadelphia Trust Company, Philadelphia, Pa.
Wolfe, O. Howard, Assistant Cashier Philadelphia National Bank, Philadelphia, Pa.

ANNOUNCEMENTS

MEMBERSHIP SIGN AND CONFIDENTIAL BOOKLET

Every member of the Association has been furnished with a metal sign indicating membership which contains a celluloid insert showing dues paid to September 1, 1915. The following is a facsimile:

All members are reminded of the necessity of displaying this sign in a conspicuous place like the paying teller's window. It acts as a warning to criminals who might otherwise commit depredations upon them and is therefore a protection. It is a known fact that criminals respect the A. B. A. membership sign.

Members are requested to read the small Confidential Booklet bound in paper cover and measuring about 3½ x 6½ inches. It contains interesting and important information bearing on the operations of criminals, and rules of the Protective Committee.

ASSOCIATION MEMBERSHIP 14,850

There are now enrolled in the American Bankers Association 14,850 members, comprising the most important banks, trust companies and private bankers in this country.

The office of the Association frequently receives letters expressing appreciation of membership. One from a National bank of recent date reads: "We wish to join the American Bankers Association. Kindly send us the Code as soon as possible as it has become necessary for us to have it. We will remit the yearly fee when we know how much it is."

The A. B. A. Code is extensively used by members and their attention is called to the resolution of the Executive Council, which was unanimously adopted, to the effect that the General Secretary be directed to inform members that those desiring to do so could print on their letter-heads and other stationery the following: "A. B. A. CODE USED."

Or they might use instead

"AMERICAN BANKERS ASSOCIATION CODE USED."

Many members have already adopted this suggestion and others are urged to do so, thereby increasing the usefulness of the Code.

LEGAL DEPARTMENT

THOMAS B. PATON, GENERAL COUNSEL

OPINIONS OF THE GENERAL COUNSEL

ATTORNEY FEE NOTE IN OKLAHOMA

Stipulations for (1) a reasonable attorney's fee should suit be commenced and for (2) 10 per cent. attorney's fees if collected by attorney or suit, do not affect negotiability of note and are probably valid—Amount recoverable.

From Oklahoma.—Our notes contain the following clause: "Should suit be commenced for collection of this note a reasonable amount shall be allowed as attorney fee and taxed with the cost, whether it goes to judgment or not."

We also take a good many notes made payable to a lumber company which they indorse over to us, which contain the following clause:

"If this note is collected by attorney or suit, ten per cent. shall be added for attorney's fees."

Please advise the legal effect of the above clauses in case legal proceedings are taken upon the above forms of note. What in Oklahoma is allowed as an attorney fee? Also please advise whether a per cent. of the amount of the note or a stipulated fee must be indicated.

There is a wide conflict of law in the different States upon the validity of attorney fee clauses and the negotiability of the notes which contain them. In different States it is held:

(1) The clause is valid and the note negotiable.

(2) The clause is valid, but it destroys negotiability.

(3) The clause is void because it imposes a penalty, tends to oppress debtors, encourages litigation and is against public policy, but being void, does not affect negotiability.

(4) The clause may render the transaction usurious.

You submit two forms of attorney fee clauses contained in notes used in Oklahoma, with request for advice as to their legal effect. The questions for consideration are: (1) Do these clauses affect the negotiability of the notes containing them? (2) Are the clauses valid and enforceable? (3) If valid and enforceable, what is the amount recoverable?

Upon the question of negotiability, such clauses would formerly have destroyed the negotiability of the notes containing them, but since the passage of the Negotiable Instruments Act in Oklahoma negotiability would not be affected thereby. The question first came up in 1904 in Cotton v. Deere Plow Co., 14 Okla. 605. A promissory note contained the following:

It is stipulated by the parties to this note that in the event the same is collected by an attorney, or by any proceeding at law, an attorney's fee consisting of $10 and ten per cent. of the amount so collected shall be paid by the makers hereof to the holder of the same.

The court held this provision destroyed negotiability because the amount payable was uncertain and also because a negotiable instrument must be without any condition not certain of fulfillment. Later, in 1907, in Clevenger v. Lewis, 20 Okla. 837, the note contained the following:

It is also stipulated that should proceedings be commenced to enforce the collection of this note by law, a reasonable amount shall be allowed as an attorney fee and the same shall be taxed as costs in the cause.

The court, following the previous decision, held the note non-negotiable. Again, in 1908, in Clowers v. Snowder, 21 Okla. 476, the court, following previous cases, held non-negotiable a note containing the clause: "If collected by an attorney, a fee of $10 is to be charged."

In 1909 the Negotiable Instruments Act was passed in Oklahoma, which contains the provision: "The sum payable is a sum certain within the meaning of this Act, although it is to be paid * * * with costs of collection or an attorney's fee, in case payment shall not be made at maturity."

In 1910, in Farmers National Bank v. McCall, 106 Pac. (Okla.) 866, the court stated that the rule that a note containing a stipulation for the payment of an attorney's fee is not negotiable, has been changed by statute, referring to the Negotiable Instruments Act of 1909.

The conclusion follows that the attorney fee clauses contained in the notes submitted do not affect their negotiability.

The second question is whether such clauses are valid and enforceable. The first and only case in which the question of the validity of an attorney fee clause in a note came before the Supreme Court of Oklahoma is Baker Gin Co. v. N. S. Sherman Machine & Iron Works, 122 Pac. (Okla.) 235, decided in 1912. In that case the promise was to pay the amount and interest "and also attorney fee." The official syllabus of the decision of the court is as follows: "An unconditional stipulation in a promissory note to pay an attorney fee is valid." I think it important to quote the opinion of the court entire. It said:

The only question involved is the validity of that provision in the notes sued upon providing, "and also attorney fee." The trial court held in favor of its validity, and permitted a recovery. This was right. In Clowers v. Snowder, 21 Okla. 476, 96 Pac. 596, following the former holdings of this court, as we held this provision destroyed the negotiability of the note, it would be difficult for us to now hold this provision to be invalid, as we are asked to do. This for the reason that, if we should so hold, it would be difficult to reconcile this case with that, and explain how this clause being invalid could affect the note at all.

Although the Legislature of Indiana in 1875 passed an act by which conditional agreements in a bill or note to pay at-

torney fees were declared void, the Supreme Court of Indiana has held that this act has no application where the stipulation for attorney fees is absolute as here. In Moore v. Staser, 6 Ind. App. 364, 32 N. E. 563, the court said: "Agreements to pay attorney's fees in promissory notes not dependent upon any express condition are valid and enforceable. Churchman v. Martin, 54 Ind. 380. Such agreements, however, are in the nature of indemnity contracts, and the promisee can only recover thereunder such sums as he has actually and necessarily expended or become liable for on account of the default of the promisor. Kennedy v. Richardson, 70 Ind. 524; Goss v. Bowen, 104 Ind. 207, 2 N. E. 704. * * * It is only where the holder of a note necessarily incurs a liability for attorney's fees in its collection that the maker becomes liable therefor under the indemnity stipulation, and such necessity can never arise except by the maker's failure to pay at maturity. If he performs his agreement, no liability will be incurred, and he should not complain at the enforcement of an agreement against him which he could avoid by the performance of his contract. In view of these observations it must be held that the agreement to pay attorney's fee covers the fee of an attorney for the collection of the note, made necessary by the default of the maker, whether suit is brought or not." This opinion was adhered to on rehearing (33 N. E. 665). The court said: "An unconditional stipulation in a bill of exchange, acceptance, draft, promissory note, or any other written evidence of indebtedness to pay an attorney fee is valid. Tuley v. McClung, 67 Ind. 10; Bond v. Orndorf, 77 Ind. 583; Harvey v. Baldwin, 124 Ind. 59, 24 N. E. 347, 26 N. E. 222."

In view of what we have held, and believing the reasoning of the Indiana court to be sound, we follow it.

It will be noted in the above case that the form of the stipulation as expressed was absolute and unconditional and did not contain a promise to pay conditioned upon suit being commenced or upon collection by the attorney, which characterizes the two forms of note submitted by you, and that the decision of the court upon validity, as indicated by the opinion as well as the official syllabus, is confined to a stipulation that is unconditional. It is further to be noted that the decision in Churchman v. Martin, 54 Ind. 380, cited in the opinion and rendered under an Indiana statute declaring all agreements to pay attorney's fees, depending upon any condition therein set forth, void, not only held that an unconditional stipulation was valid, but further held that a stipulation in a note to pay attorney's fees "if suit be brought" was conditional and void. As the Oklahoma court cites this decision with approval and restricts its ruling of validity to an "unconditional" stipulation to pay attorney's fee, the conclusion might seem to follow that where the stipulation was conditional, as in the forms of note you submit, the contrary would be held, although there is no statute in Oklahoma similar to that of Indiana, declaring agreements for attorney's fees dependent upon any condition to be void.

At the same time it is to be noted that the former decisions of the Oklahoma courts in which attorney fee clauses were held to destroy negotiability all related to conditional stipulations, and further that the Supreme Court, in the Baker Gin Co. case, holding an unconditional stipulation valid, gives as its reason that "as we held this provision destroyed the negotiability of the note, it would be difficult for us to now hold this provision to be invalid, as we are asked to. This for the reason that, if we should so hold, it would be difficult to reconcile this case with that (the former decisions) and explain how this clause being invalid could affect the note at all." The court, in holding unconditional clauses valid and apparently adopting the Indiana view that conditional clauses were invalid or void, evidently assumed that the clauses in the previous Oklahoma cases were also unconditional and referring to the fact that the validity of such clauses had been impliedly recognized by holding that they affected negotiability, gave this as a reason why the unconditional attorney fee clause in the note in suit should be held valid. But in fact, as will be seen by reference to the former Oklahoma cases, the clauses involved were in terms conditional, and this, according to the Indiana doctrine which is approved by the Oklahoma court, would make them invalid. It would seem that this would leave somewhat in doubt the question of the validity of the two forms of attorney fee clause in the notes submitted by you, they being conditional, for in a suit to enforce these stipulations the defendant could cite the Oklahoma decision as authority that, being conditional, the clauses were invalid; while the holder of the note could maintain that that decision supported their validity because earlier decisions had impliedly upheld the validity of such conditional forms by holding they affected negotiability and the court in a later decision had declared that, to be consistent with the earlier decisions, it must uphold the validity of the attorney fee clause before it. Looking at the reason of the matter, promises to pay an attorney's fee are in their nature conditional upon non-payment, and the employment of an attorney, whether or not such condition is expressed as part of the terms of the promise and if a simple promise to pay "an attorney's fee" is valid, there would seem no good reason for holding a promise to pay "if collected by an attorney" or if suit be brought, invalid. I think, therefore, notwithstanding the apparent limitation of the decision in the Baker Gin case to "unconditional" stipulations, the Supreme Court of Oklahoma will in all probability hold stipulations such as contained in your forms of note likewise valid, because stipulations of the same kind were before the court in earlier cases and their validity impliedly recognized by holding that they affected the negotiability of the instrument, and the Supreme Court in the later case has indicated that, to be consistent, such stipulations must now be held valid.

It may furthermore be noted that in several States wherein attorney fee stipulations have been held invalid and the Negotiable Instruments Act has been passed, a difference of decision has developed upon the question whether that Act, by recognizing such stipulations, validated them. This question, however, is of no particular importance in Oklahoma, as the only decision so far rendered on the subject has, as above shown, declared the validity of an attorney fee stipulation

irrespective of the effect of the Negotiable Instruments Act upon such validity.

Thirdly, assuming the clauses in question valid, to what extent would they be enforceable? The Oklahoma court has adopted the view of the Indiana court that such agreements are "in the nature of indemnity contracts and the promisee can only recover thereunder such sums as he has actually and necessarily expended or became liable therefor on account of the default of the promisor," and that the agreement "covers the fee of an attorney for collection of the note, made necessary by the default of the maker, whether suit is brought or not." Applying this to the provision in your form of note "should suit be commenced for collection of this note, a reasonable amount shall be allowed as attorney's fee and taxed with the cost, whether it goes to judgment or not," it would authorize a recovery of a reasonable fee paid or agreed to be paid to the attorney whether or not suit was brought. Concerning the second form of note, which provides that "if this note is collected by attorney or suit, ten per cent. shall be added for attorney's fees," this limits the amount of the fee to ten per cent., but in a case where the ten per cent. might be regarded as excessive the question would be whether such ten per cent. would be regarded as a liquidated amount, absolutely due and recoverable, or whether recovery would be limited to the actual reasonable amount which the attorney would have the right to charge. Upon this point it was held in Childs v. Junger, 162 S.W. (Tex.) 474, that a provision in a promissory note that if it be placed with an attorney for collection, the maker agrees to pay ten per cent. additional on the principal and interest as attorney's fees, should be enforced in the absence of a showing that the amount stipulated is unreasonable. The court said: "That part of the note as to attorney's fees, in the absence of attack, proves itself just as the other parts of the note do." So also in First National Bank v. Stam, 171 S.W. (Mo.) 567, it was held that where a note provides for a ten per cent. attorney fee the holder is entitled to judgment for that amount without proving that it is reasonable, especially where there is no contention that it is unreasonable. And in Florence, etc., Co. v. Hiawatha, etc., Co., 135 Pac. (Colo.) 454, it was held that when a note provides for a fixed sum for attorney's fee, the presumption attaches that the amount so named is the reasonable value of such services, when the contingency happens under which the expenses thus provided for may be recovered, until the contrary appears. So that, without any issue being made as to the value of the services of plaintiff's attorneys, the stipulations in the notes were sufficient evidence to warrant the court in giving judgment for the amount of the attorney's fees. But when the question is properly raised regarding the reasonableness of the stipulated amount, the holder can recover only so much as will reimburse him for the reasonable and necessary attorney fees which he has been or will be obliged to pay.

To summarize the foregoing, the attorney fee clauses in the two forms of note submitted do not affect the negotiability of the notes; they are probably valid in Oklahoma; the note providing for "a reasonable amount" as attorney fee, would be enforceable for a reasonable amount charged by the attorney, when pleaded and proved, and the note providing for "ten per cent." attorney's fee would be enforceable for that amount, in the absence of plea and proof that such amount was unreasonable.

DEMAND NOTE AND CHATTEL MORTGAGE

Note payable on demand is due immediately, but where accompanying chattel mortgage provides "if no demand made, note is due in two years from date" reasonable construction is that debt matures in two years unless sooner demanded and holder protected for thirty days thereafter under Colorado statute allowing thirty days after maturity of debt to take possession.

From Colorado.—We make a chattel mortgage which specifically recites "due on demand after date, or, if no demand is made, then note is due two years from date." The note reads "demand." Our statutes (1908, Page 288, Section 518) provide that mortgagee must take possession of chattels inside of thirty days after note becomes due. We hold that our note is not due until "demand" is made. We had two cases in courts wherein the attorneys for the other side set up the contention that our note was due the very date upon which it was made, it being a "demand" note and that we had failed to take possession of the chattels inside of the thirty days allowed by our statutes. Both cases were settled before they came to trial. Our court reports don't seem to tell anything clearly, just when a "demand" note is due. Common sense has always led us to think that a "demand" note was *not* due until a "demand" was made for its payment. Kindly cite authorities that will tell us just when a "demand" note is due.

The note in this case is payable on demand, and the accompanying chattel mortgage given to secure same provides that if the mortgagor shall pay note of even date "due on demand after date, or if no demand is made, then the note is due two years from date," the mortgage shall be void. The Colorado statute provides that the mortgagee is allowed thirty days after maturity of the debt secured by the chattel mortgage in which to take possession of the property covered thereby. Mills Anno. Stat. Colo. 1912, Sec. 627.

It was formerly held that a note payable on demand became due when demand was made, and not until then. Brooks v. Mitchell, 9 Mees. & W. 15. But the weight of later authority is that, as between maker and payee, a note payable on demand is due as soon as it is executed; action can be brought on it at any time without other demand than a suit, and the statute of limitations begins to run from date. As between the maker and the indorsee, the latter is deemed to be a holder in due course if it has come into his hands for value in the ordinary course of business within a reasonable time after its date. Brophy Grocery Co. v. Wilson, 124 Pac. (Mont.) 510; Mobile Sav. Bank v. McDonnell, 83 Ala. 595; O'Neil v. Wagner, 81 Cal.

631; Lee v. Balcom, 9 Colo. 216. In this last cited case an instrument payable on demand, "with interest at 10 per cent. per annum after four months from date," was held to be payable from and after date, the quoted words being held to refer to the date from which the interest was to be reckoned and not as referring to or controlling the maturity of the paper.

Standing alone, therefore, your note is payable on demand and is due immediately. But part of the same transaction between maker and payee is the chattel mortgage given to secure the note and referring thereto which provides that if the mortgagor shall pay the note due on demand after date "or if no demand is made, then the note is due two years from date," the mortgage shall be void. I think the mortgage and note should be read together as evidencing the entire contract between the parties—there is no question involved as to the rights of a bona fide indorsee of the note alone—and that there is good ground to contend that a reasonable construction of the contract would be that the debt secured by the mortgage should mature in two years from date, unless the mortgagor made earlier demand or unless (it might be so construed) the mortgagee paid it off earlier. If this construction should be sustained by the courts and no demand was made, the mortgagee would have two years and thirty days thereafter in which to take possession of the property.

But it would seem better, in the framing of these contracts, to more definitely provide just what is intended. Under the Negotiable Instruments Act a note payable "on or before" a fixed future time is negotiable. Such an instrument is due at the time fixed, and not before, and the maker has a mere option to pay in advance of the legal liability if he sees fit. Walker v. Woolen, 54 Ind. 164. Such a form of note might better serve the purpose intended than the form of demand note now used by you, except that it would require some addition providing that the option of earlier payment should rest with the holder and not with the maker.

INSANITY OF PAYEE OF CERTIFICATE OF DEPOSIT

Bank should refuse payment of certificate indorsed in blank by payee where depositor is adjudged a lunatic before presentment, in absence of positive proof that certificate was indorsed and delivered by payee while sane—Guardian or committee of lunatic should be appointed to receive payment or bank file bill of interpleader.

From Illinois.—A holder of certificate of deposit, payable to the order of himself, has indorsed same in blank, without date. He is now insane and may have been insane when he indorsed. We are notified that at maturity of the certificate so indorsed the present holder (a son or daughter of depositor) will present same to us for payment or reissue as renewal in name of new owner. Depositor was declared insane by legal authorities on same date we were notified of change of ownership. There is probability of contention among children of depositor, hence we would like to know what is proper position for us to take when the certificate is presented. We have no means of knowing date of indorsement, nor condition of mind of depositor when he indorsed. He appears to have acted queerly some days, perhaps weeks, before the date of the inquiry which resulted in his committal to an insane hospital.

I think under the facts stated it would be unsafe for the bank to pay the certificate of deposit indorsed in blank by the payee, who is now insane, if demanded by the present holder. A guardian or committee of his estate should be appointed with authority to receive payment. It may be the fact that the payee indorsed this certificate in blank while sane and delivered it as a gift to the son or daughter who now possesses it; but on the other hand, there may have been no delivery of the certificate and it may not even have been indorsed in blank by the depositor while sane, and until the facts are more positively ascertained the bank, having notice of the adjudication of insanity and also that prior thereto for some weeks the payee gave evidence of unsoundness of mind, would be safer to proceed on the assumption that there was no valid indorsement and delivery of the certificate by the depositor while sane, and refuse payment as stated, until a guardian or committee is appointed.

In the case of checks, it has been held that insanity of the drawer revokes the authority of the bank to pay; but if the bank pays in ignorance thereof, it is protected (Riley v. Albany Sav. Bank, 36 Hun, N. Y. 513), although in a case in Georgia it has been held the bank is not protected where it pays a check in ignorance of the drawer's insanity at the time of execution, the theory being that such an instrument is absolutely void. American Trust & Banking Co. v. Boone. 29 S. E. (Ga.) 182.

But the certificate of deposit in the present case was issued while the depositor was sane, but he became insane before presentment, and the fact is uncertain whether at the time of his indorsement he was or was not of unsound mind, or whether he actually delivered the certificate while sane. In view of this situation, of which your bank has knowledge, I think it safer to refuse payment and suggest that the holder of the certificate have appointed a guardian or a committee of the depositor's estate, who would have authority to receive payment of the certificate. If no guardian is appointed and the holder sues the bank, you could file a bill of interpleader. The rule is well settled that where several persons make adverse claims to money held on deposit by a bank, the latter may maintain a bill of interpleader against them. (Fidelity Fire Ins. Co. v. Illinois Trust, etc. Bank, 110 Ill. App. 92; Livingstone v. Montreal Bank, 50 Ill. App. 562 [holding that justice requires that a mere stakeholder willing to surrender a thing in his possession shall not be vexed by contending claimants, whose contention is not in reality at all with him, but with each other, and the law affords to him, through the medium of a bill of in-

terpleader, a relief from such vexation]. See also Platte, etc. Bank v. National Bank, 155 Ill. 250, and Newhall v. Kastens, 70 Ill. 156, to the same effect.)

RIGHT OF PURCHASER OF STOPPED CHECK

Innocent purchaser for value of check, payment of which has been stopped because of fraud, can recover from drawer thereon.

From Oklahoma.—A man claiming to be A. S. Brown went to F Brothers, bought a bill of goods, and gave in payment therefor a check for a much larger amount than the value of the goods, asking that the difference be given him in money. F Bros. not having the cash in the drawer, gave him their check for the difference instead. This check was taken to our customer and given in payment of a small bill, our customer giving the difference in cash. It developed that before F Bros.' check reached the bank that the supposed A. S. Brown had given F Bros. a forged check, and F Bros. immediately stopped payment on check they had given him as change. Our customer took the check without any knowledge of any infirmity or irregularity; in fact, there was no irregularity in F. Bros.' check. Will thank you to give me your opinion with citations of various decisions as to rights of our customer in the premises.

In the case you state A. S. Brown perpetrated a fraud upon F——— Bros.—namely, gave them a forged check—and in pursuance of this fraud obtained their check, which he negotiated for value to your customer, he giving the same in payment of a small bill and receiving the difference in cash.

Under the facts stated your customer, being ignorant of the consideration for which F——— Bros.' check was given, is a holder in due course under the Negotiable Instruments Act, and entitled to enforce payment for its full amount from the drawers, F——— Bros., notwithstanding they have stopped payment at the bank. See Negotiable Instruments Act of Oklahoma, Section 52, defining a holder in due course, and Section 57, defining the enforceable rights of a holder in due course.

The following authorities, among others, support the right of your customer to full payment of the check from the drawers:

1. Famous Shoe Co. v. Crosswhite, 124 Mo. 34. In that case the drawer gave his check to a thief for stolen mules, and the latter indorsed for value to an innocent purchaser. The drawer was held liable to the purchaser.

2. Ketcham v. Govin, 71 N. Y. Supp. 991. In this case a swindler gave to R a fraudulent check and received in return R's check, which was negotiated. R stopped payment of his check, but was held liable to the innocent purchaser.

3. Usher v. Tucker, 105 N. E. (Mass.) 360. Held a drawer of a check, though entitled to stop payment thereon, does not by stopping payment discharge his liability to the payee or one holding under him. Where payment of a check has been stopped by order of the drawer the relations between the drawer and the payee are the same as if the check had been dishonored and notice thereof given to the drawer. The effect, so far as respects the drawer, is to change his conditional liability to one free from the condition, and his situation is like that of the maker of a promissory note.

4. First National Bank v. Osborn, 142 N. W. (Iowa) 209. O issued his check to I and the payee indorsed it to plaintiff bank for value. The bank sued O, the drawer, who denied plaintiff's right to recover because of alleged fraud practised upon O by I in procuring the check. The court, in affirming judgment against O, said: "If the contract of sale or exchange (between I and O) is not shown to have been tainted by fraud, the bank took the check with no burden of showing affirmatively the good faith of its holding. The check is a valid instrument of exchange and having been negotiated to a third party without notice, as quite conclusively appears, any subsequent transaction between the defendant and I. by which it is alleged the contract of exchange was rescinded could not affect the rights of the plaintiff already acquired."

The above case was one where the drawer of the check did not even succeed in proving fraud. Where fraud is proved or conceded, as in your case, the burden is then thrown upon the purchaser of the check—your customer—to prove affirmatively that he acquired it in good faith and for value.

A recent Oklahoma case is McPherrin v. Tittle, 129 Pac. 721. It involves the liability of the maker of a negotiable note to an innocent purchaser; but as already seen, the drawer of a check stands on the same footing. In that case it is held that the owner of a negotiable promissory note who obtains it before maturity for a valuable consideration without knowledge of any defect of title and in good faith, holds it by a title valid against all the world. Suspicion of defect of title, or the knowledge of circumstances which would excite such suspicion in the mind of a prudent man, or of circumstances sufficient to put him upon inquiry, will not defeat his title; that result can be produced only by bad faith on his part.

In the above case the makers of the note contended that their signatures were fraudulently obtained by the payees and that there was a total failure of consideration. This case alone should be sufficient to support your customer's rights.

RIGHT OF PURCHASER OF STOPPED CHECK

Innocent purchaser for value from payee of check given for stolen cow, payment of which has been stopped, can enforce payment from drawer.

From Tennessee.—A customer of ours gave a check a few days ago to a negro for $22.50 in payment for a cow. The negro came to this town and cashed the check after banking hours in one of the local business houses. Before the check was presented to us it developed that the cow had been stolen, and the drawer of the check stopped payment. In what attitude does the holder of the check stand, having taken the check in exchange for value?

The merchant who cashed the check for the payee,

received by the latter in payment of a stolen cow, having given value for the instrument in good faith, is a holder in due course entitled to enforce payment from the drawer. The check so purchased was a genuine instrument and while the drawer who stopped payment, would have a good defense against the payee or a transferee with knowledge, such defense would not be available against an innocent purchaser for value. See, for example, Robertson v. Coleman, 141 Mass. 231, where A stole a horse and using the name of B, sold it to C. The purchaser drew his check payable to B, which A indorsed in the name of B and cashed at a hotel. The drawer stopped payment, but was held liable to the hotel keeper. In the present case there was no element of the payee impersonating another person, and the liability of the drawer is clear. See the Negotiable Instruments Act, which provides (Sec. 55) that "the title of a person who negotiates an instrument is defective within the meaning of this Act when he obtained the instrument or any signature thereto by fraud, duress, or force and fear, or other unlawful means or for an illegal consideration * * *" but (Sec. 57) "a holder in due course holds the instrument free from any defect of title of prior parties and free from defenses available to prior parties among themselves, and may enforce payment of the instrument for full amount thereof against all parties liable thereon." There are numerous authorities which support the right of the innocent purchaser of a check, procured from the drawer by fraud, to recover from the drawer thereon.

MONEY PAID BY MISTAKE

Money paid by mistake may be recovered where it is against equity and good conscience for recipient to retain the same—But non-recoverable where payment received in good faith and recipient has changed position because thereof.

From Texas.—Some time in January, 1915, we received a draft with bill of lading attached drawn on B by A. Now we have another customer, C, for whom we make a number of collections, whose letter head has the same general appearance of that of A, and when remittance was made to cover the collection it was made by a new man in our employ to C in error. Now as it happened C also had an open account with B and they took our remittance and applied it to the account of B on their books without taking the matter up with us. About three months later A took the matter up with us of the payment of the collection and the error was discovered by us for the first time. We at once paid A and took the matter of payment to us by C up with C at once, but they refuse to pay, on the ground that they have made final settlement now with B and have surrendered to B the security formerly held by them, and state that they will not assume responsibility and that we must look to B for the settlement with us. We take the position that they had no right to apply our money to the payment of the account to them of B or any other person and that same should be held to our credit. Should we receive further collections from them will we be safe to deduct the amount due us on the above from any remittances to them with the explanation of what it is for?

It is a general rule that money paid under mistake of fact may be recovered back, and an action for money had and received will lie where defendant has received or obtained possession of the money of plaintiff which in equity and good conscience he ought to pay over to plaintiff. Clifford Banking Co. v. Donovan Com. Co., 195 Mo. 262; Mingus v. Bank of Ethel, 117 S. W. 683; Security, etc. Co. v. King, 138 Pac. (Ore.) 465. But money paid under a mistake of fact cannot be recovered as against persons who have changed their position in good faith, believing the payment to have been rightly made. Behring v. Somerville, 44 Atl. (N. J.) 641.

Applying the above to the facts of your case, although the circumstances surrounding the payment to C are not fully stated, it would seem he would be liable for return of this money because he could not in equity and good conscience keep it. You collected A's bill of lading draft from B and remitted the proceeds by mistake to C, who was a creditor of B on open account; C took the money and applied it on B's debt and thereafter settled with him and relinquished security for the indebtedness. Unless C received this money in the honest belief it was intended as a payment on account of B's indebtedness and on faith thereof surrendered the security to B, C would be liable. Of course, in the absence of a full statement of the facts, it may be that when your employe erroneously remitted this money to C it was accompanied by a statement from which it could be inferred that it had been received from B to be paid to C in reduction of B's indebtedness, and that C so received and credited it in good faith. But where your bank collects A's draft for a stated amount from B and remits by mistake to C instead of A, the likelihood is the remittance, by reason of the specific amount and surrounding description, is sufficient to inform C that the money is not being paid to him on B's account, but is a remittance collected from B for someone else, and under such circumstances he would have no right to retain it. Although the money came from B, and B was his debtor, the proceeds had been collected for and belonged to A, and were no longer the money of B which could be appropriated, when received, upon his indebtedness.

In the event of C's liability, you ask whether the amount could be deducted by you from future collections received from C. The recent case of Pine Belt Lumber Co. v. Morrison & Harvey, 79 S. E. (Ga.) 236, would indicate the right of set off or deduction. In that case plaintiff sued defendants for an indebtedness of $182.43, which defendants admitted, but pleaded that by mistake they had paid the plaintiff $242.26. Under the facts of the case they were held entitled to make the set off and recover the difference. The case was one where the plaintiff had sold lumber for which it had been paid; the purchaser had obtained the money from a bank, and the defendants, who took over the order on the plaintiff for the car of lumber and assumed the note due the bank, credited the plaintiff on their books

with the price of the car merely for convenience in keeping trace of the shipment, intending to charge it back when the bank was paid. During the absence of the bookkeeper one of the defendants saw the account on the books and mailed a check to the plaintiff by mistake, overlooking the fact that they owed this amount to the bank and not to the plaintiff. The court held under the evidence it was clear a verdict for the defendants was authorized. It said that money paid under a mistake of fact or in ignorance of facts may be recovered back if the circumstances are such that the party receiving ought not, in equity and good conscience, retain it. There was nothing in the evidence which would render it inequitable for the defendants to recover the money. The plaintiff had lost nothing by its payment, and would be in no worse position after the mistake was corrected than before. One of the witnesses testified that if it had not been misled by the payment, the plaintiff might have collected certain indebtedness from the purchaser of the lumber, but the court pointed out the evidence showed such purchaser did not owe the plaintiff anything at the time the money was paid by mistake. The court said from their making the payment the plaintiff would have had a right to assume that the defendants had agreed to pay this particular debt, were it not for the fact that the plaintiff had already been paid for this car of lumber. Under the evidence, the plainest principles of justice required the money to be paid back.

The above case is instructive in connection with the present inquiry. It indicates that where money has been paid by mistake and the payor is sued by the recipient for an indebtedness, he can set off a demand for the money so paid against the plaintiff's demand; and it also throws light upon the application, to the facts of the particular case, of the rule that money paid by mistake may be recovered. In your case the facts are different, and the question of C's liability under such rule has already been discussed.

PAYMENT OF FORGED CHECK

Drawee's right of recovery where indorsement also a forgery—Conflict of decision.

From Oklahoma.—Our customer deposited check drawn on the local bank which we cleared in the regular course of business. The local bank charged the check to their customer's account in the regular way. Some three or four weeks later when the bank book was balanced it developed that the signature on this check was a forgery, and also that the payee's indorsement was a forgery. The local bank has returned this check, not on the grounds that the signature was a forgery, for they had already accepted the signature as being genuine, and charged it to their customer's account, but they returned it on the grounds that the indorsement was a forgery and, as our indorsement stamp reads "prior indorsements guaranteed" they contend that we should reimburse them for this amount. Will you kindly advise us if we are liable to our local bank on this check? If we are, we, of course, can collect it from our customer who deposited it with us.

It was held by the Supreme Court of Oklahoma in Cherokee National Bank v. Union Trust Co. 125 Pac. 464, that a drawee who pays to a bona fide holder a check to which the drawer's name has been forged cannot recover the amount of such payment and the fact that the holder receiving payment has indorsed thereon "previous indorsements guaranteed" does not give the drawee a right of recovery "for the guarantee applies only to the indorser and does not protect the drawee against the risk of cashing the check to which the maker's name is forged." In that case it was stated that the check "was indorsed by Oliver Smith, the payee therein," and, so far as appears, the indorsement was by the person named as payee and there was no contention that the payee's indorsement was also a forgery. In the case submitted by you both the drawer's signature and the payee's indorsement are forged, and the question arises whether the additional fact of forgery of the payee's indorsement would entitle the drawee to recover. There are decisions both ways upon this proposition.

In Illinois (First National Bank v. Northwestern National Bank, 152 Ill 296) a check was paid on which the drawer's signature and payee's indorsement were both forged. It was held that the drawee could recover. While the drawee was estopped to deny the drawer's signature, the estoppel binds the holder as well; as to both, the signature must be deemed genuine. But the drawee is not estopped to deny the genuineness of the payee's indorsement, which the subsequent indorser warrants; and where the drawee pays a check to an indorser who derives title through prior forged indorsement, he may recover back the money if demand is made within a reasonable time after the forgery is discovered.

Also in Farmers National Bank v. Farmers and Traders Bank, 166 S.W. (Ky.) 986, it was held that the drawee which paid a check on which the names of both maker and indorser had been forged, could recover the money as paid under a mistake of fact; such case not coming within the rule which denies the drawee the right to recover money paid upon a forged signature, but within the rule that money paid on a forged indorsement is recoverable, since the bank is not bound to know the signature of the indorser and, besides, the indorser of a check warrants the genuineness of all prior indorsements.

See also McCall v. Croning, 3 La. Ann. 409, to same effect.

The reasoning of the above cases is that where the drawer's signature and payee's indorsement are both forged, the rights of the parties are the same as though the drawer's signature was genuine and since the holder of the check never obtained title to it because of forgery of the payee's indorsement, the bank has a right of recovery the same as in an ordinary case of payment of a genuine check upon forgery of the indorser's signature. If the above reasoning should be followed by the Supreme Court of Oklahoma it would result in a decision that your bank having re-

ceived payment of a check upon which both drawer's signature and payee's indorsement were forged is liable to the drawee from whom you received payment and would be entitled to recover over from your customer who indorsed and deposited the check with you and thereby warranted to you the genuineness of the payee's indorsement.

But there are decisions in other States which take a contrary view. In Trust Company of America v. Hamilton Bank, 112 N. Y. Supp. 84, the signature of an administrator of an estate, as drawer, and the indorsement of one of the next of kin whose name had been inserted as payee were both forged and the check was deposited in a bank which received payment, the depositor withdrawing the proceeds. The drawee sued for recovery of the money but recovery was denied. The court questioned the correctness of the Illinois decision in First National Bank v. Northwestern National Bank, supra, and said it did not necessarily follow because the check was indorsed by the person whose name appeared thereon as payee, that the defendant bank which received the check in good faith and paid value therefor would be compelled to repay the amount to the drawee. The Negotiable Instruments Act provides that "the instrument is payable to bearer * * * (3) when it is payable to the order of a fictitious or non-existing person, and such fact was known to the person making it so payable." The court took the ground that under the Negotiable Instruments Act the check in question as between drawee and defendant bank was payable to bearer. The person who forged the maker's signature knew that the party whose name was inserted as payee would never have any interest in the instrument. The court said that it was unnecessary to consider whether indorsing the name of the payee was technically a forgery or not; it was convenient to thus describe it. Despite the forged indorsement, the defendant acquired good title, since in legal effect the check was payable to bearer. The drawee having paid the check to a holder in due course cannot recover upon the ground that the payee's signature was forged. Whether this reasoning will be upheld by courts in other States it is difficult to say, for it might be contended that the rule of the Negotiable Instruments Act that when an instrument is payable to a fictitious person it is payable to bearer if such fact is known to the person making it so payable, has no application to a forged check which is not in reality a negotiable instrument at all. The proposition is certainly debatable.

The Supreme Court of Iowa in First National Bank v. Marshalltown State Bank, 107 Ia. 327, has also held that payment to an innocent holder of a check upon the forged signature of the drawer is a finality and cannot be recovered back, and the fact that the indorsement of the payee is also forged does not entitle a recovery by the drawee from the last holder as guarantor of the genuineness of the prior indorsement.

From the above review of conflicting authorities and in the absence of a decision by the Supreme Court of your State on the precise question, it cannot be said definitely whether or not your bank is liable to the drawee in the case stated. Unless the matter can be settled amicably it is a question which the courts of Oklahoma will have to pass upon.

SET-OFF AGAINST DEPOSIT

Bank's right to apply deposit upon indebtedness of depositor not affected (a few cases contra) because of secret equities of third persons attaching to deposit—But no right of set-off where bank knows general deposit is impressed with trust character.

From Illinois—A man goes to a bank with which he does not do business, he living forty or fifty miles distant, and sells a note of $2,700 secured by a chattel mortgage on 60 head of cattle. The note was dated October 5, 1910, due July 1, 1911. The note was sold immediately after it was given and indorsed in blank by the owner. About the first of June, 1911, the mortgagor shipped all the cattle as described in the mortgage in his own name and had the money sent to this bank to his credit, he being indebted to this bank. We charged off what was due. We were attached for $522 by a neighboring bank. About ten days after the above transaction the original owner of this chattel mortgage and note goes to the bank to which he had sold the note in October, 1910, and buys back this note with a check on his home bank. He then files a suit in chancery to recover this money and to trace the funds from the sale of the cattle. Has he a right (after selling this note and buying it back with notice that the property had all been disposed of and that the funds had been charged off) to bring a suit against this bank?

In this case the mortgagor wrongly sells mortgaged cattle and deposits the proceeds in your bank, part of which are attached by a creditor of the mortgagor and the balance applied by your bank upon an indebtedness of the depositor. The owner of the note and mortgage who, after selling same, has bought them back with knowledge that the cattle have been disposed of, brings suit against your bank to recover these proceeds as a trust fund.

If the proceeds are recoverable as a trust fund I do not think the fact that the mortgagee bought back the note and mortgage from a bank to which it was sold after he knew the cattle had been disposed of, would affect his right of recovery. By such repurchase he acquired the rights of the selling bank whatever they were. But the question of your liability will depend, I think, upon the question of your right to apply this deposit to the indebtedness of your depositor under the circumstances stated.

Where a bank knows that money deposited with it to the general credit of a depositor is held in trust by such depositor, the bank has no right to apply such deposit to the payment of a note due it by the depositor. Clemmer v. Drovers' National Bank, 157 Ill. 206. Or where the depositor is a factor, engaged in the commission business, and deposits in a bank money realized from the sale of live stock consigned to him

at a time when his account at the bank is overdrawn, some courts hold that the bank is accountable to the consignor, regardless of the question of notice, and accordingly cannot apply the deposit in satisfaction of the depositor's indebtedness. Cady v. South Omaha National Bank, 49 Neb. 125.

But in the present case your depositor is not a factor and I assume your bank received the money on deposit without knowledge that it represented the proceeds of a sale of cattle which were mortgaged to some one else. In such case many courts hold the bank can apply the deposit. See, for example, Smith v. Des Moines National Bank, 107 Iowa 620, in which it was held that a bank is not liable to the beneficial owner of trust funds deposited with it by the trustee as his own which it, with the depositor's consent and without notice of the character of the fund, applies in payment of an individual note of the depositor. Also Wilson v. Farmers First National Bank, 162 S.W. (Mo.) 1047, in which the court held that as money has no earmarks, but passes from hand to hand without inquiry as to anyone's right thereto, the bank's right to apply a deposit of money to an indebtedness due from the depositor cannot be defeated because of secret equities in favor of third persons. See, also. Globe Savings Bank v. National Bank, 89 N.W. (Neb.) 1030; Meyers v. New York County National Bank, 36 App. Div. (N. Y.) 482; McStay Supply Co. v. John S. Cook & Co. 132 Pac. (Nev.) 545.

A few cases are to the contrary. Thus in Burtnett v. First National Bank, 38 Mich. 630, it was held that where a trustee deposits money belonging to his beneficiary in a bank to which he is himself indebted and the bank without his authority and in ignorance of the trust ownership of the fund, has applied it on the debt, the owner is not debarred from recovering it from the bank if it can be identified. See also Swift v. Williams, 68 Md. 236.

I do not find that the precise question has been passed upon in Illinois, but, according to the weight of authority, your bank would be entitled to apply the deposit upon the indebtedness of the depositor and not account for it as a trust fund if you had no knowledge of its trust character and the Illinois decision in Clemmer v. Drovers' National Bank, supra, that the bank cannot apply the deposit to a debt of the depositor where it knows of the trust character of such deposit would seem, by inference, to point to the contrary conclusion that it can so apply where it does not know.

The statute in Illinois makes the mortgagor in this case liable to the purchaser of the cattle, assuming they have been sold without information of the existence of the mortgage, in double their value, and also makes him guilty of a misdemeanor. Even though the mortgagee could not recover from your bank, he would have a right to recover the cattle or their value from the purchaser and the latter, in turn, would have his recourse upon the mortgagor for double their value, in addition to a criminal prosecution.

The Illinois statute in regard to the sale of property covered by a chattel mortgage by the mortgagor is as follows:

Sale Without Notice to Purchaser.—"Any person having so conveyed any personal property who shall, during the existence of the title or lien created by such instrument, sell the same or any part thereof to another person for a valuable consideration, without informing him of the existence of such conveyance, shall forfeit and pay to the purchaser twice the value of the property so sold, which sum may be recovered by such purchaser, in an action of debt, in any court of competent jurisdiction, or before a justice of the peace, if within his jurisdiction." (Hurd's Rev. Stat Ill. 1911, Chap. 95, Sec. 6.)

Sale, Etc., Without Consent of Mortgagee.—"Any person having so conveyed any personal property who shall, during the existence of such title or lien, sell, transfer, conceal, take, drive or carry away, or in any manner dispose of such property or any part thereof, or cause or suffer the same to be done without the written consent of the holder of such incumbrance, shall be guilty of a misdemeanor, and on conviction may be fined in a sum not exceeding twice the value of the property so sold or disposed of, or confined in the county jail not exceeding one year, or both, at the discretion of the court." (Ibid. Sec. 7.)

BANK SET-OFF IN SOUTH CAROLINA

Bank has right of set off of depositor's balance against his indebtedness, but must notify depositor thereof—Right exists against indorser for whom note discounted where duly charged but doubtful if deposit of accommodation indorser can be set off.

From South Carolina.—Does a bank in South Carolina have the right to charge to a depositor's account a note of a third party which bank had discounted for depositor, and which was not paid at maturity and duly protested for non-payment? If so, are any steps necessary to be taken preliminary to such charging to the depositor's account, and what would they be? Also does a bank have the right to charge to a depositor's account a note payable to order of bank, and indorsed by such depositor, but the proceeds of which went to maker? We will assume, of course, that both notes must be negotiable, etc., and that the indorser in each case was duly notified of protest for non-payment.

While the courts generally throughout the country recognize the right of the bank to set off or apply the deposit of the customer upon the latter's indebtedness, which has matured, and thereafter refuse to pay his checks where insufficient funds remain, the Supreme Court of South Carolina in 1904 in Callahan v. Bank of Anderson, 69 S. C. 374, established the exceptional doctrine that in the absence of notice by the bank to the customer of such application of his deposit, it will be liable to him for refusing to pay his check which

would be good if the deposit had not been so appropriated. This decision was by a divided court and is based upon the theory that the bank which receives deposits of a customer subject to check must not injure his credit by refusing to pay checks drawn against such deposit, unless it has previously warned him that the deposit has been applied to his indebtedness. In other words, while the bank has a right of set off, notice of the exercise of such right must be given and the right is limited to deposits not checked against at the time of giving such notice. As to checks issued before receipt of notice, they must be paid and the set off is ineffectual.

Later in 1912, after the Supreme Court had in two intervening cases (Loan & Savings Bank v. Farmers' & Merchants' Bank, 54 S.E. 364; Southern Seating & Cabinet Co. v. First National Bank, 68 S.E. 962) clearly established the doctrine that a check is an assignment, the court in Hiller v. Bank of Columbia, 75 S.E. 789, used the following language:

> When the depositor has not assigned his demand against the bank by check or otherwise, the right of the depositor to demand his balance is subject to the right of the bank to set off against the balance any debt due by him to the bank.

This later case holds that the right of set off is limited and cannot be exercised as to deposits against which checks have been issued which have operated as an assignment. The enactment by the Legislature of South Carolina of the Negotiable Instruments Act in 1914 swept away the doctrine that a check is an assignment, but there is nothing in the later case which would indicate that the prerequisite of notice, established by the earlier decision, has been eliminated from the law. The earlier case sought to protect the customer's credit by insuring the payment of checks issued before notice of set-off; the later case likewise insured the payment of checks issued before notice of set off by holding that such checks constituted assignments and the right of set off did not apply. Although the court in the later case does not expressly state that the deposit cannot be set off in the absence of notice, its language is consistent with the ruling in the earlier, Callahan, case, and although the Negotiable Instruments Act has abrogated the rule that a check is an assignment I think the decision in the earlier case of Callahan v. Bank must still be regarded as law in your State; at all events until the court in some future case more clearly states a contrary rule.

In brief, then, where a customer is indebted to a bank upon a note which has matured, the bank has a right to set off the note against his deposit, but must give him notice of such application and the right of set-off will only be effective from the date of such notice; that is to say, checks drawn and outstanding before receipt of the notice by the customer must be paid, if otherwise good but for such set-off and refusal to pay would subject the bank to liability to its depositor for damages. Such would seem to be the law as indicated by the existing decisions.

Your specific question relates to the right of set-off against a depositor's account where he is indebted not as maker but as indorser. Two cases are stated, one where the note has been discounted for the indorser and the other where your depositor indorsed for accommodation, the proceeds going to the maker. In both cases the notes have been dishonored and the liability of your depositor duly fixed by protest and notice.

I can find no decision in South Carolina involving the right of set-off against a depositor's account where he is indebted as indorser rather than as maker. The decisions elsewhere are to a certain extent conflicting. But there are a number of cases in which it has been held that the right of set-off exists against the deposit of an indorser, whose liability has been duly fixed, equally as where the depositor is indebted as maker. See, for example, the recent decision of the Court of Appeals of Georgia in Milhouse v. Citizens Bank, 80 S.E. 703, in which the court said: "The right to make the application exists whether the indebtedness of the depositor be that of a principal, or upon an obligation in which he is only secondarily liable." In Ticonic Bank v. Johnson, 21 Me. 426, a bank discounted a note for an indorser and placed the amount to his credit. Part of this remained on deposit at the maturity of the note. The court said the bank had the right, if it so desired, to apply the balance on deposit in part payment of the note. In Schackamaxon Bank v. Kinsler, 16 Weekly Note Cases (Pa.) 509, a note was discounted for the benefit, not of the maker, but of the indorser. The bank sued the maker. The court held the deposit to the credit of the indorser should be set off against the note. In Van Winkle Gin etc. Co. v. Citizens Bank, 89 Tex. 147, it was held that as soon as the liability of the indorser of a note held by the bank was fixed by non-payment and protest, that at any time thereafter during the continuance of such liability the indorsee bank has the right to apply any moneys coming into its hands in due course of business belonging to such indorser to the payment of the indorser's liability, and the indorser has no right in law or equity to compel the bank to proceed against the maker.

In most of the cases where the right to apply the indorser's deposit has been declared, such indorser had received the proceeds of the discounted paper, and in the case of the note discounted by your bank for the indorser, I think the right of set-off would exist, subject to the giving of notice as above stated. But as to the note discounted for the maker on which your depositor is accommodation indorser, I think there is more question. True, when his liability has been preserved by protest and notice, he becomes absolutely liable to you for the amount; but the character of the liability is as surety and a number of decisions are to the effect that the bank cannot set off the deposit of a surety or guarantor against his liability on a note, as

there is no mutuality of debt. Harrison v. Harrison, 118 Ind. 179; O'Grady v. Stotts City Bank, 106 Mo. App. 366. I think, therefore, your right of set-off in the latter case is doubtful, but that the note discounted for your depositor as indorser can be set off against his account, subject to giving of the notice apparently required by the judicial law of South Carolina.

NEGOTIATING WORTHLESS CHECK.

Person in Illinois who, with intent to defraud, obtains cash upon his worthless check against an account in which he has only a nominal balance can be punished criminally.

From Illinois.—On April 6 we cashed a check on a bank in Virden, Ill., signed by one M., a resident of Virden. Mr. M. was sufficiently known to some of our people so that we cashed the check without further indorsement. We forwarded the check through regular channels for collection and it was returned unpaid. The bank at Virden advises us that Mr. M. had a small account in 1914 and there is still forty-eight cents to his credit, but they have refused payment on so many of his checks he could not claim he thought he had money in bank when he negotiated the present check. The forty-eight cents has been to his credit since November, 1914, and since then a number of Mr. M.'s checks have been presented which, of course, were refused. Will you please advise if in your judgment we have grounds for criminal action against M.?

Under the circumstances which you state, Mr. M has violated the law of Illinois which punishes the obtaining of money by false pretenses, and can be prosecuted. The fact that he has done the same thing repeatedly would make clear his intent to defraud. A statement of the facts should be turned over to the prosecuting attorney of your county for criminal action. The Illinois penal statute in regard to obtaining money or other valuable thing by false pretenses is:

"Section 96.—Whoever, with intent to cheat or defraud another, designedly by color of any false token or writing, or by any false pretense obtains the signature of any person to any written instrument or obtains from any person any money, personal property or other valuable thing, shall be fined in any sum not exceeding $2,000, and imprisoned not exceeding one year, and shall be sentenced to restore the property so fraudulently obtained, if it can be restored. No indictment for the obtaining of any property or thing by any false pretense or pretenses shall be quashed, nor shall any person indicted for such offense be acquitted for the reason that the facts set forth in the indictment, or appearing in evidence, may amount to a larceny or other felony; nor shall it be deemed essential to a conviction that the property in the goods or things so obtained shall pass with the possession to the person so obtaining it." (Hurd's Rev. Stat. Ill. [1913], Chap. 38, Sec. 96.)

The Illinois statutory penalty for working the so-called "confidence game" is: "Every person who shall obtain, or attempt to obtain, from any other person or persons, any money or property by means or by use of any false or bogus checks, or by any other means, instrument or device, commonly called the confidence game, shall be imprisoned in the penitentiary not less than one year nor more than ten years." (Ibid., Sec. 98.)

POSSESSION OF FORGED INSTRUMENT AND SOLICITING TO COMMIT ROBBERY

Possession of forged instrument with intent to defraud, although instrument never uttered, is a criminal offense—Person making proposition to another to commit robbery, although nothing further done is guilty of misdemeanor.

From Arkansas.—We have a person here who has exhibited a certified check on some bank in North Carolina of the amount of $5,000, which in the opinion of every one is a forgery; however, we know of no attempt being made to realize anything out of the check. The same party overheard a telephone message from this bank to the X Bank of Little Rock, Ark., for an order for currency shipment of $1,000 to be made by registered mail, and proposed a plan to rob the bag containing same, to another person. The other person refusing to take any part in the matter the scheme fell through. We would like your opinion regarding these matters, and whether or not either is a criminal offense, and who would be the proper person to bring this matter up before.

Where a person has in his possession and exhibits a forged certified check, but it cannot be proved that he has made an attempt to realize anything on the check, it is doubtful if he can be convicted unless it can be proved that such possession is coupled with an intent to defraud. I doubt if mere possession and exhibiting a forged instrument would constitute a crime, where there is no attempt to utter or pass same, unless something was said or done by the possessor which would indicate such possession was with intent to defraud. It has been held in at least two jurisdictions that a person may be convicted of forgery by having possession of a forged instrument with intent to defraud, although never uttered by him. (State v. Hathhorn, 166 Mo. 229; Rex v. Crocker, 2 B. & P. N. R. 97.) The Missouri case was decided under the following statute: "Every person who shall have in his possession, buy or receive any falsely made, altered, forged or counterfeit instrument or writing, the forgery of which is hereinbefore declared to be an offense, except such as are enumerated in Section 3633, knowing the same to be forged, counterfeited or falsely made or altered, with intent to injure or defraud, by uttering the same as true or false, or causing the same to be so uttered, shall upon conviction be adjudged guilty of forgery in the fourth degree."

In an early Arkansas case (Gabe v. State, 6 Ark. 519, decided in 1845), it was held that in an indictment against one for fraudulently keeping in his possession a fictitious instrument purporting to be a bank note, it is not necessary to set forth a copy or fac simile of the instrument, but it is sufficient to describe it in such manner as to give it identity. In this case, it was never alleged or proven that defendant uttered such instru-

ment, but this was distinctly held to be unnecessary. The case was reversed on other grounds.

If, in the case referred to, it can be proved that the person in question has possession of a forged certified check for a fraudulent purpose, and has so acted or spoken concerning same as to clearly indicate a fraudulent intent, it might be, he could be convicted in your State, although I can find no Arkansas statute which would cover the case as clearly as does the statute of Missouri above cited.

Your second question is whether there is any criminal offense where a person, learning that a shipment of currency is to be made by one bank to another bank, proposes to another person to commit robbery, pointing out the subject of robbery and outlining a plan; but the second person refusing, the first person goes no further.

If the second person had at first agreed and then backed out, there might have been an indictment for conspiracy. The Arkansas statute in regard to conspiracy to commit a felony provides: "If two or more persons shall agree and conspire to commit any felony, and make some advance thereto, without committing the felony, they shall be guilty of a misdemeanor." (Dig. Ark. Stat. 1904, Chap. 48, Sec. 1617.) But to constitute a conspiracy there must be a combination of two or more persons; one person cannot conspire with himself. (Evans v. People, 90 Ill. 384; Gaunce v. Backhouse, 37 Pa. St. 350; State v. Jackson, 7 So. Car. 283; United States v. Hirsch, 100 U. S. 33.) Thus one person cannot be guilty of conspiring with another to commit a crime, where the latter only formed a purpose to assist in its commission with the intention of drawing the former on. In such case there is no union or concert of wills. (Woodworth v. State, 20 Tex. App. 375.)

In the present case, the second person having refused to take any part in the matter, there can be no indictment for conspiracy, but I think the person making the proposition to rob is guilty of a misdemeanor, and can be punished for that offense. By the great weight of authority, it is an indictable offense at common law to solicit another to commit a crime amounting to a felony, although the solicitation is of no effect and the crime is not in fact committed. (Com. v. Flagg, 135 Mass. 545; Com. v. McGill, Add. [Pa.] 21; Reg. v. Gregory, L. R. 1 C. C. 77.) One who solicits another to commit a felony is guilty of a misdemeanor only, if the felony is not committed. (Begley v. Com. 22 Ky. L. Rep. 1546; Com. v. Randolph, 146 Pa. St. 83.)

The person in question seems to be an undesirable if not a dangerous character to have in the neighborhood, and I would suggest submitting the facts in your possession to the prosecuting officer of your county.

TITLE TO DEPOSITED CHECK.

Authorities are in conflict whether the giving of credit for a deposited check makes the bank debtor or agent for collection, but relation is generally controlled by custom or agreement making bank agent and not obliged to pay against uncollected funds—Certification as distinguished from payment is optional with bank and not obligatory.

From Illinois—We credit a depositor with a check on an out-of-town point, and on the same day his check on us is presented for certification against said out-of-town item. Is the bank compelled to certify his check for the reason that the depositor has been given credit for it, and is it the law that the bank has to pay against uncollected funds?

There is a conflict of authority upon the proposition whether the giving of credit for a deposited check makes the bank debtor or whether the credit is merely provisional and the bank takes as agent only. Many banks control the relation by provision in the passbook or on the deposit slip declaring that the bank takes as agent only, and sometimes there is a custom or usage which is controlling in the matter, or an understanding with the depositor that the credit is only provisional.

In the absence of agreement or usage to the contrary, it has been held in Illinois that upon deposit the check immediately becomes the property of the bank, and it thereupon becomes debtor to the depositor for the amount. Lanterman v. Travons, 73 Ill. App. 670; aff'd. 174 Ill. 459. It would seem to follow in strict law that where the bank becomes debtor it must honor its customer's check against the credit, even before collection. But the custom is quite universal not to pay against uncollected funds, and I presume such a custom exists in Illinois and is controlling as elsewhere.

Your particular question relates to certification. A bank is not obliged to certify a check in any event; its only obligation is to pay and certification is optional with the bank.

COLLECTION BY INSOLVENT BANK

Where check forwarded "for collection and returns" and collecting bank fails after making collection, proceeds are recoverable in full as a trust fund, if traceable—Where failed bank in Alabama not a trustee but debtor for collection proceeds, creditor, unless a depositor, is subordinated to claims upon non-interest bearing deposits.

From Alabama.—We have a matter upon which we would like to get your opinion. We sent to Bank A in a neighboring town in this State, a check "for collection and returns," drawn on Bank B of the same place. Bank A collects the money from Bank B and then fails: (1) Is this collection a preferred or trust claim against Bank A? (2) If not, does this collection have a parity in standing with regular deposits? In this State

savings deposits do not have a parity of standing with other deposits but must wait until all other deposits are paid before they can be paid anything out of the assets. (3) If our collection would not rate with regular non-interest bearing deposits would it come ahead of interest bearing deposits, and would it be in the same class as Cashier's checks or New York exchange drawn by the failed bank? In other words, does the law of this State make the ordinary depositor a preferred creditor over holders of New York exchange or those who might have sent the bank items for collection in the regular banking way?

1. I think under the facts stated the courts of Alabama would hold the proceeds of the collection in the hands of the failed bank A a trust fund. In Hutchinson v. National Bank of Commerce, 41 So. 143, decided by the Supreme Court of Alabama in 1906, a draft on E & Co. was forwarded to an Alabama bank with specific instructions to collect and remit the proceeds. The Alabama bank was insolvent when it received the draft. It made the collection but did not remit as instructed and the proceeds went into the hands of its assignees, upon failure of the bank. The court held that the Alabama bank was agent and the collection proceeds in the hands of the assignees a trust fund which remained subject to the trust so long as it could be traced and followed. As the fund was traced directly into the hands of the assignees it retained the trust character with which it was originally impressed. The facts stated by you would seem to bring the case within the above decision. See also First National Bank v. Dennis, 146 Pac. (N. Mex.) 948, which is a recent decision in another State to the same effect in which a number of supporting authorities are cited.

2. Assuming a state of facts in which an insolvent collecting bank in Alabama was held to be debtor and not trustee for the proceeds of the collection, the question you ask is (1) whether the creditor would be entitled to share pro rata with claims for non-interest bearing deposits, and if not and the creditor was subordinated to such claims (2) his claim would take precedence over interest-bearing deposits. The question, of course, must have reference to a bank organized under the laws of the State, for there would be no such question of preference in the case of National banks.

The Constitution of Alabama provides: "Holders of bank notes, and depositors who have not stipulated for interest, shall, for such notes and deposits be entitled in case of insolvency, to preference of payment over all other creditors; provided, this section shall apply to all banks, whether incorporated or not." Const. 1901, Sec. 250.

Under this claims for non-interest bearing deposits would come first, and unless the creditor would come within the classification of a depositor, he would not be preferred. In Nixon State Bank v. First State Bank, 60 So. (Ala) 868, decided by the Supreme Court of Alabama in 1913, a bank in Texas forwarded a note for $1,012.73 for collection to an Alabama bank. The Alabama bank received the maker's check therefor, which it forwarded to a correspondent which collected it and placed the amount to the credit of the Alabama bank. Thirteen days later the Alabama bank failed without having paid the money to the Texas bank. The Texas bank for some time before the insolvency forwarded collections to the Alabama bank and the daily balances with the Alabama bank to the credit of the Texas bank varied from the date of the collection of the check until insolvency between $375.40 and $1,653.64. The Chancellor ruled that the claim of the Texas bank be allowed as a common claim "the same to be paid ratably with other common claims, after the claims of depositors who did not stipulate for interest have been paid in full." The Texas bank appealed. The Supreme Court affirmed the decree and, after quoting Section 250 of the Constitution, said:

"It does not appear from this record that the Nixon (Texas) State Bank was a *depositor*, or was otherwise within the classes described in the quoted section of the Constitution. It is made thereby to appear only that the Talley note was sent to the First State Bank 'for collection.' It is not shown that the sum or amount of the Talley note was, when collected, to be a credit in favor of the Nixon State Bank with the First State Bank. The ruling was therefore without error in excluding the intervening bank from the benefit of the quoted section of the organic law in respect of its claim against the insolvent corporation."

Under the ruling in this case, where a check is forwarded for collection and there is nothing to show that the proceeds are to be a credit in favor of the forwarding bank, the latter would not rank as a preferred creditor with the non-interest bearing deposits, but would have a common claim payable ratably with other common claims after the claims of depositors who did not stipulate for interest. It would be subordinated to the latter claims and would not be preferred but would be in common with the claims of depositors who received interest. You ask specifically whether under the law of Alabama the ordinary depositor whose deposit does not bear interest is preferred over the holders of dishonored cashier's checks or New York exchange remitted for items sent "for collection and returns." It does not seem to me the holder of such paper would be classed as a depositor.

In the present case, however, as first above stated, I think the collection proceeds would be preferred as a trust fund and not held to be an ordinary debt. True, in the Nixon case, supra, the court further held that the Texas bank was not entitled to impress with a trust any sum in the hands of the receiver of the insolvent Alabama bank because of a failure to show that the fund received by the receiver was composed, in whole or in part, of the proceeds of payment of the note. The court said: "Where funds or property of the principal are commingled by the agent with his property or funds, equity cannot effect its just purpose to

impress the fund or property with a trust character, for the benefit of the principal, unless the principal's funds or property can be distinguished—can be distinctly traced." But the court differentiated the case of Hutchinson v. National Bank of Commerce, supra, by saying that in that case "there does not appear to have been any factor of commingling; the sum subjected to the claim there pressed and the sum surrendered to Renfro and Dowdell, as assignees, in the general assignment made by the Shapard Bank, being that collected by the La Fayette Bank from Schuessler & Sons."

I have assumed in your case that the proceeds collected by Bank A were not so commingled as to lose their identity and that the facts are substantially similar to those in Hutchinson v. National Bank of Commerce. Should the facts prove otherwise, and the trust character be lost by reason of failure to trace and identify the fund into the hands of the assignee or receiver of the failed bank, then you would share as a creditor in common with claims on interest bearing deposits and other creditors, and come in after the claims of depositors who had not stipulated for interest were paid in full.

COMPETENCY OF NOTARY IN COLORADO

In the JOURNAL for March, 1915, at page 688, was published an opinion to the effect that an officer of a bank in Colorado not being a stockholder was undoubtedly competent to take acknowledgments of instruments running to the bank. This opinion was based on a decision of the Supreme Court of Colorado in Brereton v. Bennett (Col.), 25 Pac. 310, where the court said: "The fact that the officer taking the acknowledgment of the chattel mortgage was the partner of the mortgagee and negotiated the loan secured by the mortgage does not render the mortgage fraudulent and void as to other mortgage creditors, when it is not shown that he was a party in interest to either the lien or the note."

The above decision authorized the conclusion that an officer not a stockholder was competent as notary to take acknowledgments of instruments running to the bank, but it left unsettled the question whether, in case the notary was also a stockholder, he would be disqualified in view of the fact that the courts in a number of States have held such disqualification of the stockholder because of his pecuniary interest. In the March JOURNAL it was stated that in the absence of further decision the question of the competency of the notary-stockholder was somewhat doubtful.

A later decision of the Supreme Court of Colorado, however, which escaped attention when the item in the March JOURNAL was published, makes it clear that the notary is competent to take acknowledgments of instruments running to the bank although he is a stockholder thereof. In Babbitt v. Bent County Bank of Las Animas, 108 Pac. (Col.) 1003, the court held that the fact that an acknowledgment of a chattel mortgage executed to a bank was taken before a notary who was a cashier of and stockholder in the bank would not invalidate the mortgage in the absence of fraud in taking the acknowledgment. The court said:

"Upon the claim that the acknowledgment of the mortgage to the bank was taken before a notary who was the cashier of, and a stockholder in, that corporation, and the mortgage therefore invalid, it is to be observed that on its face the mortgage was fair and entitled to record. The taking of this acknowledgment, unlike that of a married woman, where separate examination is required, was purely ministerial. The alleged infirmity is a matter outside the record, that may not be taken advantage of except for fraud. If there was fraud in fact, of which there is no intimation, it should have been averred and proven. In the absence of such averment and proof the record of the mortgage must be held to have been constructive notice to Babbitt. To say otherwise would be to overturn the purpose of the law providing for this notice. Such policy would destroy the reliability of records, and lead to mischievous dissentions rather than to the stability and security of property rights. The rule here announced is well settled. Brereton v. Bennett, supra; Bank v. Hove, 45 Minn. 40, 47 N. W. 449; Heilbrun v. Hammond, 13 Hun (N. Y.) 475; Bank v. Conway (U. S. Cir. Ct., 4th Dist.) 1 Hughes 37, Fed. Cas. No. 10,037."

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COUNTRY'S RAILROADS IN RECEIVERSHIPS

One-eighth of the total railroad mileage of the United States, or approximately 30,500 miles, is in the hands of receivers, according to the "Railway Age Gazette." Compared with June 30, 1896, the mileage of roads in receivership at the close of the present fiscal year is slightly greater, although there has been a considerable increase in the mileage operated.

Of a total operated mileage of 181,677 on June 30, 1896, the total mileage of roads in the hands of receivers was 30,475, according to the Interstate Commerce Commission's figures, or about one-sixth. The total par value of securities outstanding of roads operated by receivers was $1,795,900,000. The present total mileage is about 248,000 and the par value of securities outstanding for the roads now being operated by receivers is approximately $1,815,900,000.

Reserve Board Issues Regulations Governing Admission of State Banks

Membership of All Institutions in the System Regarded by the Board as Essential to Banking Unity—State Banks May Withdraw After Twelve Months—To Accept Examinations by State Authorities—Circular No. 14, Series of 1915, June 7, 1915.

A UNIFIED banking system, embracing in its membership the well-managed banks of the country, small and large, State and National, is the aim of the Federal Reserve Act. There can be but one American credit system of nation-wide extent, and it will fall short of satisfying the business judgment and expectation of the country and fail of attaining its full potentialities if it rests upon an incomplete foundation and leaves out of its membership any considerable part of the banking strength of the country. The way must therefore be opened for State banking institutions to contribute their share to the capital and resources of the Federal Reserve Banks, in harmony with the intent of the Federal Reserve Act and in accordance with its provisions. State banks, trust companies and National banks have their distinctive characters and places in the American banking organization, and these should be respected in co-ordinating them in the Federal Reserve System. The problem presented is to find a basis upon which these different types of banking institutions may thus be associated which shall be fair to each and which will not require greater uniformity of operation than may be necessary to the attainment of the purposes of the Federal Reserve Act.

Appreciating fully that the strength of the Federal Reserve system is to be measured by the quality and character of its members, rather than by their number, the Federal Reserve Board is prepared to use the broad discretionary power vested in it by the Federal Reserve Act to bring about this co-ordination on the basis of equity and practicability. The Board has sought, in the regulations governing the admission of State banks and trust companies hereto appended, first, to establish only such reasonable standards of admission as will be generally recognized as necessary to protect the Federal Reserve system and the National banks, whose membership in the system is obligatory, against the admission of any bank which would be a source of weakness rather than of strength, and, second, to prescribe such regulations governing their conduct as will insure a reasonable conformity to fundamental principles deemed essential to the success of the new banking system.

Membership in the Federal Reserve system carries with it privileges and guaranties of great value, not only to the banks themselves, but to their customers as well. It may be confidently expected that with the further development of the system and the fuller appreciation by the public of its meaning and value, membership will come to be regarded as evidence of banking solidity, and that the access afforded by membership to the facilities and resources of the system will add to the prestige of even the strongest institutions; so that in time the public will recognize in the new banking organization which is in process of realization two principal classes of banks—those which belong to the Federal Reserve system and those which do not, or "Member Banks" and "Non-member Banks."

The Board realizes, however, that membership also carries with it of necessity obligations as well as privileges. The Federal Reserve Act imposes certain fundamental conditions governing the membership of State banks in the Federal Reserve system, and prescribes that banks not organized under Federal law must comply with the capital and reserve requirements relating to National banks, and must conform to the provisions of law imposed upon National banks respecting the limitation of liability which may be incurred by any person, firm or corporation to such banks the prohibition against purchases of or loans upon stocks of such banks, the withdrawal or impairment of capital, and the payment of unearned dividends, and must conform to other provisions of the Federal Reserve Act applicable to member banks, such as restrictions on the amount of acceptances by such banks and on transactions between such banks and their directors, and to such rules as the Federal Reserve Board may prescribe.

With respect to loans on real estate or mortgages, the board is not disposed to assume as a matter of principle either the authority or the duty to impose restrictions of a character calculated to embarrass properly conducted State banks in applying for membership, or to impair their usefulness in a well-defined field of banking. It has endeavored in the regulations merely to provide a reasonable limitation, so that loans or investments of this character shall not be so excessive in amount as to impair the liquid condition of a bank.

Within the limits thus described, it will be the policy of the Board to determine the eligibility of State banks for membership in the Federal Reserve system by means of examination. Since admission to the system will be looked upon as an evidence of the bank's strength, examinations for admission must disclose clearly the condition of an applying bank and the character of its management. These examinations must, therefore, be thorough and effective, and be

under the direction of the Federal Reserve Board, but the Board will endeavor to avoid unnecessary additional expense to the banks by dispensing with separate and independent examinations so far as practicable and by adopting a method of joint or supplementary examination in conjunction with State banking authorities. The Board plans to draw freely upon the examiners and auditors in the employ of the respective Reserve banks and to use their services for the purpose of thus supplementing examinations conducted by the banking departments of the several States. It is hoped, therefore, that in passing upon applications for membership, the Board and the several Federal Reserve Banks will have the co-operation of State banking authorities, so that every qualified applying bank may be admitted to membership and all not qualified excluded.

With respect to the matter of status, there are important differences between the membership of National banks and of State banking institutions in the Federal Reserve Banks. Membership of National banks is not elective, but is prescribed by the law. So long as a bank is a National bank it must be a member bank. When it ceases to be a member bank it ceases by the same fact to be a National bank, the law having provided no method by which a National bank can sever its relations with a Federal Reserve Bank except by the process of liquidation. All this is set forth in definite terms in the Federal Reserve Act.

The situation of the State banks is fundamentally different. National banks are member banks as a matter of necessity; State banks become member banks as a matter of choice. Membership in a Federal Reserve Bank is an incident in the life of a State institution, not an essential part of its being; and its continued existence as a State institution would not be threatened or interrupted if its membership should cease, its status being fixed by the laws of its State, not, as in the case of the National banks, by the Federal Reserve Act. The conditions of membership of State institutions are, furthermore, prescribed only in general terms in the act, the further and final elaboration of them being left to the Federal Reserve Board, which is vested with the necessary discretionary authority. In view of this discretionary authority, the Board believes it a duty to define clearly terms and conditions upon which State banks and trust companies may withdraw from membership, since otherwise those charged with the management of these institutions might not feel authorized to enter a system under which by future regulation the scope of their operations might be restricted. It is not to be expected that much use will be made of the withdrawal privilege; indeed, it is the belief of the Board that as the system develops membership therein will carry with it guaranties of safety and security which will be of inestimable value; at the same time it recognizes the responsibilities of those intrusted with the management of the State institutions and has, therefore, in the appended regulation clearly defined the conditions upon which any State institution may withdraw from membership.

I—Statutory Requirements

Specific provisions of the Federal Reserve Act applicable to State banks and trust companies which become member banks are quoted at the end of this regulation.

II—Banks Eligible for Membership

A State bank or a trust company to be eligible for membership in a Federal Reserve Bank must comply with the following conditions:

(1) It must have been incorporated under a special or general law of the State or district in which it is located.

(2) It must have a minimum paid-up unimpaired capital stock as follows:

In cities or towns not exceeding 3,000 inhabitants, $25,000.

In cities or towns exceeding 3,000 but not exceeding 6,000 inhabitants, $50,000.

In cities or towns exceeding 6,000 but not exceeding 50,000 inhabitants, $100,000.

In cities exceeding 50,000 inhabitants, $200,000.

III—Application for Membership

Any eligible State bank or trust company may make application on Form 83, made a part of this regulation, to the Federal Reserve Agent of its district for an amount of capital stock in the Federal Reserve Bank of such district equal to six per cent. of the paid-up capital stock and surplus of such State bank or trust company.[1]

[1] Three per cent. has already been called from National and other member banks, but the remainder of the subscription or any part of it shall be subject to call if deemed necessary by the Federal Reserve Board.

Upon receipt of such application the Federal Reserve Agent shall submit the same to a committee composed of the Federal Reserve Agent, the Governor of the Federal Reserve Bank, and at least one other member of the board of directors of such bank, to be appointed by such board, but no Class A director whose bank is in the same city or town as the applying bank or trust company shall be a member of such committee. This committee shall, after receiving the report of such examination as may be required by the Federal Reserve Bank in pursuance of directions from the Federal Reserve Board, consider the application and transmit it to the Federal Reserve Board with its report and recommendations.

IV—Approval of Application

In passing upon an application the Federal Reserve Board will consider especially:

(1) The financial condition of the applying bank or trust company and the general character of its management.

(2) Whether the nature of the powers exercised by the said bank or trust company and its charter provisions are consistent with the proper conduct of the

business of banking and with membership in the Federal Reserve Bank.

(3) Whether the laws of the State or district in which the applying bank or trust company is located contain provisions likely to interfere with the proper regulation and supervision of member banks.

If, in the judgment of the Federal Reserve Board, an applying bank or trust company conforms to all the requirements of the Federal Reserve Act and these regulations, and is otherwise qualified for membership, the Board will issue a certificate of approval. Whenever the Board may deem it necessary, it will impose such conditions as will insure compliance with the Act and these regulations. When the certificate of approval and any conditions contained therein have been accepted by the applying bank or trust company, stock in the Federal Reserve Bank of the district in which the applying bank or trust company is located shall be issued and paid for under the regulations of the Federal Reserve Act provided for National banks which become stockholders in the Federal Reserve Banks.

V—Powers and Restrictions

Every State bank or trust company while a member of the Federal Reserve system—

(1) Shall retain its full charter and statutory rights as a State bank or trust company, and may continue to exercise the same functions as before admission, except as provided in the Federal Reserve Act and the regulations of the Federal Reserve Board, including any conditions embodied in the certificate of approval.

(2) Shall invest only in loans on real estate or mortgages of a character and to an extent which, considering the nature of its liabilities, will not impair its liquid condition.

(3) Shall adjust, to conform with the requirements of the Federal Reserve Act and these regulations, within such reasonable time as may be determined by the Board in each case, any loans it may have at the time of its admission to membership which are secured by its own stock, or any loans to one person, firm, or corporation aggregating more than ten per cent. of its capital and surplus or more than thirty per cent. of its capital, or any real estate loans which in the judgment of the Federal Reserve Board, impair its liquid condition.

(4) Shall maintain such improvements and changes in its banking practice as may have been specifically required of it by the Federal Reserve Board as a condition of its admission, and shall not lower the standard of banking then required of it; and

(5) Shall enjoy all the privileges and observe all those requirements of the Federal Reserve Act and of the regulations of the Federal Reserve Board applicable to State banks and trust companies which have become member banks.

VI—Withdrawals

Any State bank or trust company desiring to withdraw from membership in a Federal Reserve Bank may do so twelve months after written notice of its intention to withdraw shall have been filed with the Federal Reserve Board. The Board will immediately notify the Federal Reserve Bank of the receipt of such notice. At the expiration of said twelve months, such bank or trust company shall surrender all of its holdings of capital stock in the Federal Reserve Bank, which stock shall then be canceled and the withdrawing bank or trust company shall thereupon be released from its stock subscription not previously called. Such bank or trust company shall, immediately upon the cancelation of its stock, cease to be a member of the Federal Reserve Bank, and the Federal Reserve Bank shall then refund to such bank or trust company a sum equal to the cash-paid subscription on the shares surrendered, with interest at the rate of one-half of one per centum per month computed from the last dividend, if earned, not to exceed the book value thereof, and the reserve deposits, less any liability of such member to the Federal Reserve Bank: *Provided,* That no Federal Reserve Bank shall, except by the specific authority of the Federal Reserve Board, cancel within the same calendar year more than ten per cent. of its capital stock for the purpose of effecting voluntary withdrawals during that year. All applications, including therein any on which action may have been deferred because in excess of the aforesaid ten per cent. limitation, will be dealt with in the order in which they were originally filed with the Board.

Any State bank or trust company desiring to withdraw from membership at the expiration of the twelve months' notice, notwithstanding the fact that the Federal Reserve Bank has previously canceled ten per cent. of its stock during the same calendar year, may do so. In such case, however, the Federal Reserve Bank shall not be required to repay to the withdrawing bank or trust company the sums due as above, until such time as its stock would have been canceled had it not exercised this option. The Federal Reserve Bank shall, however, give a receipt for the stock surrendered.

VII—Examinations

Every State bank or trust company, while a member of the Federal Reserve system, shall be subject to such examinations as may be prescribed by the Federal Reserve Board in pursuance of the provisions of the Federal Reserve Act.

In order to avoid duplication, the Board will exercise the broad discretion vested in it by the Act in accepting examinations of State banks and trust companies made by State authorities wherever these are satisfactory to the Board and are found to be of the same standard of thoroughness as National bank examinations, and where in addition satisfactory arrangements for co-operation in the matter of examination between the designated examiners of the Board and

those of the States already exist or can be effected with State authorities. Examiners from the staff of the Board or of the Federal Reserve banks will, whenever desirable, be designated by the Board to act with the examination staff of the State in order that uniformity in the standard of examination may be insured.

VIII—Future Regulations

The Federal Reserve Board reserves the right to make such amendments and adopt and issue, from time to time, such further regulations authorized by the Act as it may deem necessary, but no amendment of Section VI of these regulations, relating to voluntary withdrawals, shall take effect until six months after its adoption and issue by the Board.

STATE INSTITUTION MEMBERS

Up to the time the above regulations were issued there were seventeen trust companies and State banks in the Federal Reserve system and 7,605 National banks. Since the promulgation of the regulations two trust companies have joined, namely the Broadway Trust Company of New York City and the Old Colony Trust Company of Boston. Following is a list of State banks and trust companies members of the Federal Reserve system:

Continental Trust Company, Washington, D. C.
The Savings Bank of Richmond, Richmond, Va.
Bank of Woodruff, Woodruff, S. C.
Sullivan Bank & Trust Company, Montgomery, Ala.
Central Trust Company, Chicago, Ill.
Bank of Wisconsin, Madison, Wis.
Mercantile Trust Company, St. Louis, Mo.
First State Bank, Dallas, Tex.
First State Bank, Bonham, Tex.
The Citizens State Bank, Memphis, Tex.
First Guaranty State Bank, Pittsburg, Tex.
Farmers & Merchants State Bank, Edgewood, Tex.
Bank of Eufaula, Eufaula, Ala.
First State Bank, Savoy, Tex.
First State Bank, Hamlin, Tex.
First State Bank, Wolfe City, Tex.
First State Bank, Bremond, Tex.
Broadway Trust Company, New York, N. Y.
Old Colony Trust Company, Boston, Mass.

WHAT TRUST COMPANIES SAY

In announcing the intention of the Broadway Trust Company to enter the Federal Reserve System, Frederic G. Lee. President of the company, issued the following statement:

At a meeting of the directors of the Broadway Trust Company it was decided that the company should at once make application for membership in the Federal Reserve System.

Personally, I have from the first been impressed that the Federal Reserve Law is one of the greatest ever enacted in this country and will be of untold benefit to business interests. I have also felt that there was every reason for State institutions joining, and none, or nearly none, why they should not. In this, however, I admit many State bank men with whom I have discussed it do not agree with me, but I have yet to hear an argument against joining which impresses me as being well founded.

A vague fear of political control or interference is frequently expressed, but if there is anything in this, and I cannot believe there is, it might be equally true of State control. Injustice is not a quality peculiar to any person, party or political subdivision. As a matter of fact, the control of the Federal Reserve Bank rests with its stockholders, the same as in any ordinary bank or corporation, and these stockholders are the member banks themselves. Anything they do not like they have the right and power to change. Of course bad management will ruin anything, but if there is bad management the bank members have only themselves to blame.

State banks now know that they can leave the system upon giving one year's notice. The lack of any provision for getting out has been used as a reason for not joining, and while there is, of course, no reason for joining in the fact that they can get out (as I consider it would be unwise to join if any reason for desiring to get out could be imagined), it certainly gives the State bank members a great influence, as they will have the right which the National banks have not, of showing their disapproval of the management or policy of the Reserve bank by their request for retirement from the Association.

To be sure, our State Bank Laws as regards trust companies provide for lower reserves, the Reserve Law requiring three per cent. higher reserves (eighteen per cent.) and all of it, ultimately, in cash or on deposit with the Reserve bank without interest. I doubt, however, that many State banks or trust companies will feel comfortable standing alone on their own feet with lower reserves than the National banks which have the Reserve bank to lean against. Besides, the reports of State institutions show that they have uniformly declined to avail themselves of the lower reserve privilege.

As a member bank, the acceptance provision will be restricted, inasmuch as the total amount outstanding will be limited to one-half of the capital and surplus, or, with special permission, to 100 per cent. of such amount. While perhaps it may be argued that this is too low a limit, if there is any virtue at all in restrictive legislation concerning bank commitments, our present State law, in my opinion, allows too much latitude in this respect. I do not understand, from reading the Reserve Law, that a State bank may not make domestic acceptances as well as foreign, if the total be within the lawful limit, but in any event, at the present time and with our present business customs, domestic acceptances are of no great help.

The question of real estate loans is left rather open, the provision being to the effect that they must not be made to such an extent as to render the assets of the institution unduly non-liquid; that is, beyond the point of safety. This surely jibes with common sense, and any institution which will base its refusal to join the system on this account will present a dubious argument. In the case of trust companies, their capital stock is by law non-liquid and may not even be kept in gold dollars in its vaults, but must be permanently tied up in certain high-class bonds or mortgages. This gives them a capacity for loans on real estate which, in my opinion, would be sufficient, as I cannot agree that it is good sense to loan deposits which are repayable on demand in non-liquid securities of this kind.

The one objection which seems at this time to be well founded is concerning the attractiveness of the

capital stock of the Federal Reserve Bank as an investment. I have always regretted that the dividend was made cumulative. The New York Federal Reserve Bank is not at present earning its dividend of six per cent., but its organization expenses have been heavy, and it has so far invested only about ten per cent. of its assets. I am told that if twenty per cent. were invested, even at present low rates, its dividend would be covered, as is already the case in other of the Reserve banks, where the demand has been heavier; that is, Atlanta, Dallas and Richmond. It seems likely that these latter banks will before long be coming to the New York bank for rediscounts, in which case the dividend will be in sight.

It is hardly necessary to mention the principal great benefit of membership to member banks and their customers. This is the right of such member banks to convert, through the Reserve banks, their commercial assets into cash or credit. It seems to me that if this right is not appreciated by the State institutions it will be by their customers.

My own feeling has been from the start that the Broadway Trust Company should join the System, as its banking business is practically all commercial and its assets of the character which are acceptable under the Reserve Bank Law.

The directors of the Old Colony Trust Company of Boston unanimously voted to apply for admission to the Federal Reserve System. President Philip Stockton is quoted as saying:

The regulations of the Federal Reserve Board governing the admission of State banks and trust companies to the system have just been issued, and, in the opinion of the Old Colony Trust Company, they indicate an intention on the part of the Federal Reserve Board to treat trust companies liberally and at the same time conservatively. The company is convinced that the Federal Banking System is an important forward step in banking in the United States which will succeed in full measure only if the best types of commercial banks and trust companies become a part of it.

A BANK SUPERINTENDENT'S VIEW

A statement to the effect that he does not believe any of the State banks or trust companies under the supervision of the Oregon Banking Department are contemplating joining the Federal Reserve System was recently made by Superintendent of Banking S. G. Sargent. Mr. Sargent submits the following as among the reasons why the State banks are holding back:

Under the State law banks are permitted to invest 50 per cent. of the capital and surplus and commercial deposits in loans secured by real estate mortgages. If they become members of the System loans of this kind would practically be restricted.

State banks are now permitted to loan twenty per cent. of their capital and surplus to any one firm, corporation or individual. If they become members of the Federal System this limit would be reduced to ten per cent.

The laws of this State permit the organization of banks with a minimum capital of $15,000, and in order to become eligible to membership a large majority of our banks would be obliged to increase their capital, and in many cases business conditions would not justify it.

I am of the opinion that all the banks of this country should be under one system, supervised by the United States Government, and I think the time is coming when this will be the case, but until the Federal Reserve Act is amended in several particulars, or its advantages more clearly demonstrated, State banks will be reluctant to give up many privileges which they now enjoy, and which would be denied them as members of the Federal Reserve System.

DISCOUNT OF RENEWAL NOTES BY FEDERAL RESERVE BANK

The following interesting letter upon the subject of discount of renewal notes has been released for publication by the Federal Reserve Board:

Your letter of March 15 raises a very interesting question of principle in the operation of a Reserve bank, to wit, the question whether it is proper for a Reserve bank to discount a note which is obviously a renewal. Broadly stated, the question cannot be answered by an invariable "yes" or "no." A renewal as such is neither "eligible" nor "ineligible." There are good renewals and bad renewals; and it is a matter for banking judgment to determine the merits of each particular case by a knowledge of the circumstances in which both the original loan and the renewal have been made. It is clear that paper successively renewed for the purpose of providing a permanent addition to working capital or for the purpose of financing fixed investments is not eligible for rediscount by a Federal Reserve Bank; on the other hand, paper that is unquestionably self-liquidating, even though the transaction which gives rise to it does not liquidate itself within the limits of a 90-day maturity, might be discounted by a Federal Reserve Bank even though it appeared that it was renewal paper. There are many processes of production which take a longer time than ninety days; and while no Federal Reserve Bank should ever enter into an agreement for the renewal of discounted paper, nevertheless in cases where the "process of production and distribution" covers a period longer than ninety days there is no reason why a borrower should not renew his ninety-day borrowing; and, in such case, there is no reason why a member bank should not purchase the paper and a Federal Reserve Bank discount it if it is otherwise satisfactory and at the then prevailing rate. It would be a mistake for a Federal Reserve Bank as a matter of principle to refuse to buy paper based on transactions of this kind. At the same time they must be counseled to exercise great care in scrutinizing the paper and transactions that have given rise to it, in order to determine whether it is of the character above described as legitimate and not used as a screen for financing fixed investments or for the purpose of providing additional working capital. As the circulars and regulations of the Federal Reserve Board have undertaken to state the fundamental principle, it is the liquidity of the paper that must be looked to to determine its eligibility, and liquidity should not be tested by standards that are too narrow, arbitrary, or inflexible. Such mechanical rules must not be allowed to take the place of a discriminating banking judgment.

RESERVE BOARD RULING ON AGRICULTURAL LOAN MORTGAGES

The following informal ruling of the Federal Reserve Board concerning loans based on agricultural operations was published in the June number of the "Federal Reserve Bulletin":

You are advised that in the opinion of the Board the Federal Reserve Act certainly does not require the taking of chattel mortgages as security for loans based on agricultural operations. In the dealings of the Federal Reserve Banks with member banks, the statement of the member bank that the loan is desired for agricultural operations must, under ordinary circumstances at least, necessarily be accepted as to the purpose for which the funds are acquired. So, also, from the standpoint of the member bank itself, it would seem clear that if the act is to be of any real service to the agricultural community, it would not seem practicable to enter into an exhaustive inquiry as to whether any minute part of the loan has been or may be used directly or indirectly for the support of the farmer while preparing the soil for cultivation or for feeding his cattle. It would, on the contrary, seem to be sufficient if the direct primary purpose of the loan is for the purpose of carrying on the ordinary operations of agriculture.

You further ask whether in Section 13 of the Federal Reserve Act, in dealing with six-months' agricultural paper, the words "based on" should be considered synonymous with "secured by." The language of the act is: "provided that notes, drafts, and bills drawn or issued *for* agricultural purposes or *based on* live stock," etc.

The Board does not understand that such agricultural paper must be directly secured by agricultural products. It would seem to be sufficient if they are genuinely based upon transactions entered into for the purposes of agricultural operations.

In conclusion, I would state that these questions must be handled with general banking prudence, using all the knowledge of local conditions which the directors of the bank must possess.

FEDERAL RESERVE BANKS AS COLLECTING AGENTS

An important opinion has been given to the Federal Reserve Board by its counsel that although there is no express provision in the Federal Reserve Act authorizing a Federal Reserve Bank to act as agent for another Federal Reserve Bank in the collection of bills, notes, etc., nevertheless section 4, sub-section 7, in granting the right to exercise "incidental powers," impliedly authorizes this power, the collection of bills, notes, etc., being incidental to the power to receive deposits, as authorized by section 13. This opinion was rendered on December 30 last, but the Federal Reserve Board have only recently authorized its publication. The full opinion follows:

Sir:—I have your letter of the 30th instant, in which you ask for an opinion on the following questions:

Whether or not a Federal Reserve Bank is empowered under the provision of the Federal Reserve Act to act as agent for another Federal Reserve Bank in the collection of maturing notes, drafts, bills of exchange and other evidences of debt purchased under the provisions of the Act by the Federal Reserve Bank, which items are payable within the district of the Federal Reserve Bank to which they are sent.

The exercise of this power would require the collecting bank to act as agent for the forwarding bank in the collection of the items mentioned in your letter since, in such case under the uniform decisions of the court, the agency continues until the items are collected. This right is not specifically included in the powers of the Federal Reserve Banks enumerated in the Federal Reserve Act. Section 13, in dealing with the subject of collections, provides:

Any Federal Reserve Bank may receive from any of its member banks, and from the United States, deposits of current funds in lawful money, National bank notes, Federal Reserve notes, or checks and drafts upon solvent member banks, payable upon presentation; or, solely for exchange purposes, may receive from other Federal Reserve Banks deposits of current funds in lawful money, National bank notes, or checks and drafts upon solvent member of other Federal Reserve Banks, payable upon presentation.

It will be observed that the language used in the section above quoted does not specifically include notes, drafts and bills of exchange, but Federal Reserve Banks are authorized to receive deposits of current funds in lawful money, National bank notes, or checks and drafts upon solvent member or other Federal Reserve Banks, payable upon presentation. The question therefore arises whether or not such notes, drafts and bills of exchange may be accepted by Federal Reserve Banks in the capacity of agent for other Federal Reserve Banks, and the determination of this question is dependent upon whether or not this power may be said to be incidental to those powers which are specifically granted. Section 4, sub-section 7, of the Federal Reserve Act, in defining some of the corporate powers of Federal Reserve Banks, reads as follows:

To exercise by its board of directors, or duly authorized officers or agents, all powers specifically granted by the provisions of this Act, and such incidental powers as shall be necessary to carry on the business of banking within the limitations prescribed by this Act.

This language is substantially similar to the language used in Section 5136 of the Revised Statutes, which deals with the corporate powers of National banks. Section 7 of this section reads as follows:

To exercise by its board of directors or duly authorized

officers or agents, subject to law, all such incidental powers as shall be necessary to carry on the business of banking; by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin and bullion; by loaning money on personal security, and by obtaining, issuing, and circulating notes according to the provisions of this title.

It will be observed that in defining the powers of National banks, as well as in defining the powers of Federal Reserve Banks, Congress has not specifically authorized such banks to act as agents for other banks. The powers enumerated, however, in both instances, are what may be termed contractural powers of a Federal Reserve Bank or a National bank; that is to say, the Act defines and limits under what conditions such banks may become indebted to others or may permit others to become indebted to such banks.

In the matter of collection of items mentioned in your letter, however, the relation of debtor and creditor is not established as between the forwarding bank and the collecting bank until the item sent for collection is actually collected; and where the instructions of the forwarding bank are to collect and remit the bank receiving such items has this single duty to perform and the proceeds are not credited to the forwarding bank after collection, but are remitted to such bank If the instructions accompanying such items are to collect and credit, then the collecting bank collects from the drawee of the draft or the obligor of the note funds which it may receive on deposit, and, consequently, when its agency terminates it exercises a power specifically granted to it, namely, the power to receive deposits. Accordingly, it seems clear that the collection of items referred to by you may be said to be incidental to the power to receive deposits.

Banks very generally act as agents for other banks in making collections of this sort and the right of National banks to perform this duty has, so far as I have been able to learn, never been questioned; on the contrary, there are a number of cases holding that in the matter of collection of items banks, as stated, act only as agents until the item has been actually collected.

This is true even in the case of deposit of checks by individuals with National banks.

The courts have held that even though credit may be given in the pass book for the check upon its deposit, the bank continues as the agent of the depositor until the check has been collected.

It seems to me, therefore, that unless as a matter of policy the Board determines that the Federal Reserve Banks are not ready to act as collecting agents for other Federal Reserve Banks in the collection of the items enumerated by you, there is no reason why this power should not be exercised without exceeding the corporate powers granted by statute, and those incidental to the specific powers granted. Respectfully,

M. C. ELLIOTT, Counsel.

To HON. CHARLES S. HAMLIN,
Governor Federal Reserve Board.

CHANGES IN CAPITAL STOCK OF FEDERAL RESERVE BANKS

Circular No. 15, Series of 1915, June 17, 1915 (Superseding Circular No. 9 of 1915).

On January 28, 1915, the Federal Reserve Board issued Circular No. 9, series of 1915, relating to increases and decreases in the capital stock of Federal Reserve Banks. The circular in question was accompanied by Regulation G on the same subject. The attached regulation (Regulation N) is now presented as superseding Regulation G, having been made necessary by the adoption of new application blanks (Forms 86 and 87) to be filed by liquidating or insolvent member banks. The only changes that have been made in Regulation G are contained in paragraphs II and III, which appear in the attached Regulation N as paragraphs II and III of that regulation. There is no change in Circular No. 9, which consists simply of appropriate extracts from the Federal Reserve Act and reads as follows:

Section 5 of the Federal Reserve Act provides that—

"The capital stock of each Federal Reserve Bank shall be divided into shares of $100 each. The outstanding capital stock shall be increased from time to time as member banks increase their capital stock and surplus or as additional banks become members, and may be decreased as member banks reduce their capital stock or surplus or cease to be members. * * * When the capital stock of any Federal Reserve Bank shall have been increased either on account of the increase of capital stock of member banks or on account of the increase in the number of member banks, the Board of Directors shall cause to be executed a certificate to the Comptroller of the Currency showing the increase in capital stock, the amount paid in, and by whom paid. When a member bank reduces its capital stock it shall surrender a proportionate amount of its holdings in the capital of said Federal Reserve Bank, and when a member bank voluntarily liquidates it shall surrender all of its holdings of the capital stock of said Federal Reserve Bank and be released from its stock subscription not previously called. In either case the shares surrendered shall be canceled and the member bank shall receive in payment therefor, under regulations to be prescribed by the Federal Reserve Board, a sum equal to its cash-paid subscriptions on the shares surrendered and one-half of one per centum a month

from the period of the last dividend, not to exceed the book value thereof, less any liability of such member bank to the Federal Reserve Bank."

Section 6 provides:

"If any member bank shall be declared insolvent and a receiver appointed therefor, the stock held by it in said Federal Reserve Bank shall be canceled, without impairment of its liability, and all cash-paid subscriptions on said stock, with one-half of one per centum per month from the period of last dividend, not to exceed the book value thereof, shall be first applied to all debts of the insolvent member bank to the Federal Reserve Bank, and the balance, if any, shall be paid to the receiver of the insolvent bank. Whenever the capital stock of a Federal Reserve Bank is reduced, either on account of a reduction in capital stock of any member bank or of the liquidation or insolvency of such bank, the Board of Directors shall cause to be executed a certificate to the Comptroller of the Currency showing such reduction of capital stock and the amount repaid to such bank."

Pursuant to these provisions of the statute the accompanying regulations have been adopted by the Federal Reserve Board.

CHARLES S. HAMLIN, Governor.

Regulation No. 15, Series of 1915, June 17, 1915 (Superseding Regulation G of 1915).

Increase of Capital Stock of Federal Reserve Banks

Whenever the capital stock of any Federal Reserve Bank shall be increased by new banks becoming members, or by the increase of capital or surplus of any member bank and the allotment of additional capital stock to such bank, the Board of Directors of such Federal Reserve Bank shall certify such increase to the Comptroller of the Currency on Form 58, which is made a part of this regulation.

Decrease of Capital Stock of Federal Reserve Banks

I. Whenever a member bank reduces its capital stock or surplus, and, in the case of reduction of its capital, such reduction has been approved by the Federal Reserve Board in accordance with the provisions of Section 2 of the Federal Reserve Act, it shall file with the Federal Reserve Bank of which it is a member an application on Form 60, which is made a part of this regulation. When this application has been approved, the Federal Reserve Bank shall take up and cancel the receipt issued to such bank for cash payments made on its subscription and shall issue in lieu thereof a new receipt after refunding to the member bank the proportionate amount due such bank on account of the subscription canceled. The receipt so issued shall show the date of original issue, so that dividends may be calculated thereon.

II. Whenever a member bank shall be declared insolvent and a receiver appointed by the proper authorities, such receiver shall file with the Federal Reserve Bank of which the insolvent bank is a member an application on Form 87, which is made a part of this regulation, for the surrender and cancelation of the stock held by, and for the refund of all balances due to such insolvent member bank. Upon approval of this application by the Federal Reserve Board the Federal Reserve Bank shall accept and cancel the stock surrendered, and shall adjust accounts between the member bank and the Federal Reserve Bank by applying to the indebtedness of the insolvent member bank to such Federal Reserve Bank all cash-paid subscriptions made by it on the stock canceled with one-half of one per centum per month from the period of last dividend, if earned, not to exceed the book value thereof, and the balance, if any, shall be paid to the duly authorized receiver of such insolvent member bank.

III. Whenever a member bank goes into voluntary liquidation and a liquidating agent is appointed, such agent shall file with the Federal Reserve Bank of which it is a member an application on Form 86, which is made a part of this regulation, for the surrender and cancellation of the stock held by and for the refund of all balances due to such liquidating member bank. Upon approval of this application by the Federal Reserve Board the Federal Reserve Bank shall accept and cancel the stock surrendered, and shall adjust accounts between the liquidating member bank and the Federal Reserve Bank by applying to the indebtedness of the liquidating member bank to such Federal Reserve Bank all cash-paid subscriptions made by it on the stock canceled with one-half of one per centum per month from the period of last dividend, if earned, not to exceed the book value thereof, and the balance, if any, shall be paid to the duly authorized liquidating agent of such liquidating member bank.

IV. Whenever the stock of a Federal Reserve Bank shall be reduced in the manner provided in Paragraphs I, II, or III of this regulation the Board of Directors of such Federal Reserve Bank shall, in accordance with the provisions of Section 6, file with the Comptroller of the Currency a certificate of such reduction on Form 59, which is made a part of this regulation.

CHARLES S. HAMLIN, Governor.

CROPS ABOVE THE AVERAGE

Twenty-eight States had general crop conditions above the average on June 1. The Southeast and the Southwest were among the best situated in this respect, says the "Wall Street Journal." An area including West Virginia, the Carolinas and Georgia was all better than average, and the whole domain from South Dakota to the Gulf coast was on even a higher level of condition. The mountain States were in the same category of superior conditions as the mid-summer months begin.

DISCOUNT OF ACCEPTANCES BASED ON IMPORT OR EXPORT OF GOODS

Counsel for the Federal Reserve Board has delivered a lengthy opinion on the proper interpretation of that part of Section 13 of the Federal Reserve Act which reads: "Any Federal Reserve Bank may discount acceptances which are based on the importation or exportation of goods," with a view to determining whether the words "importation or exportation of goods" include (1) shipments between countries other than the United States, and (2) shipments between the continental United States and possessions of the United States. The conclusion reached is that the Federal Reserve Banks may, under Section 13, discount acceptances based on the shipment of goods (a) between the United States and any foreign country, (b) between any two or more foreign countries, and (c) between the continental United States and Porto Rico, the Philippines, or the Canal Zone; but not acceptances based on the shipment of goods between the continental United States and Hawaii or between any two parts of the continental United States.

A further question considered by counsel is whether a Federal Reserve Bank may, under section 13 of the Federal Reserve Act, discount acceptances indorsed by a member bank located in a district other than that of such Reserve bank; and, if so, is the paper thus discounted eligible to be used as collateral security for Federal Reserve notes issued under section 16. The act provides that

> Any Federal Reserve Bank may discount acceptance which are based on the importation or exportation of goods and which have a maturity at time of discount of not more than three months, and indorsed by at least one member bank.

The opinion is to the effect that Federal Reserve Banks may, under the provisions of section 13, discount acceptances based on the importation or exportation of goods, provided they have a maturity at time of discount of not more than three months, and provided further, that they are indorsed by at least one member bank. It is immaterial whether this member bank is located in the district of the Federal Reserve Bank which is making the discount or in any other district, the term "member bank" being broad enough to include member banks wherever located. Such discounts, being made under the provisions of section 13, are eligible as collateral security for Federal Reserve notes issued under the provisions of Section 16.

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SAVINGS BANKS MAY DEAL IN ACCEPTANCES

At the last session of the Connecticut Legislature an important bill was passed which is of particular interest to Connecticut savings banks and of general interest to all the banks. It provides for a new class of investments for savings banks, viz., bankers' acceptances, and takes effect August 1, 1915. It follows:

An Act
concerning Investments for Savings Banks.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Savings banks may invest not exceeding three per centum of their deposits and surplus in the acceptances authorized by Section 13 of the Federal Reserve Act of the United States, or any amendments thereto, of any National bank, or member of a Federal Reserve Bank, in this State, or in the city of Boston in the commonwealth of Massachusetts, or in the city of Providence in the State of Rhode Island, or in the city of New York in the State of New York, or in the city of Philadelphia in the State of Pennsylvania, or of any State bank or trust company in this State, which may be authorized to issue such acceptances, but the amount invested in the acceptances of any one bank by any savings bank shall not exceed thirty per centum of the capital stock, surplus and undivided profits of such bank; nor shall the amount invested in the acceptances of any one bank by a savings bank, when added to the sum of any funds deposited by the savings bank in such bank, exceed 30 per centum of the capital stock, surplus and undivided profits of such depositary bank.

It would perhaps be of benefit to some savings banks if their assets were more liquid. New York savings banks, for example, can only invest in bonds chosen from a list prepared by the State Banking Department, and bond and mortgage loans; although recently the Governor signed a bill making it legal for them to invest in a certain number of judgment warrants, amounting in the aggregate to $500,000—claims against the State held by prior owners of the property taken over by the State under condemnation proceedings in order to build the barge canal connecting the Hudson River with Lake Erie.

TRUST COMPANY SECTION

OFFICERS OF THE TRUST COMPANY SECTION

Validity of Section 11 of Reserve Act Attacked in Michigan and Illinois

The Suit in Michigan Was Begun by the Attorney-General of the State on the Relation of Five Trust Companies—In Illinois a Mandamus Was Sought by a National Bank to Which the State Auditor Had Refused a License to Exercise the Trust Company Powers Conferred by the Federal Reserve Board.

IN behalf of the trust companies which decided to test the validity of Section 11, Paragraph k of the Federal Reserve Act, suit was begun in quo warranto on June 22d in the Supreme Court of Michigan against the First National Bank of Bay City. Paragraph k of Section 11 empowers the Federal Reserve Board "to grant by special permit to National banks applying therefor, when not in contravention of State or local laws, the right to act as trustee, executor, administrator or registrar of stocks and bonds under such rules and regulations as the said Board may prescribe."

Henry M. Campbell, of counsel for the trust companies, acting with John G. Johnson, of Philadelphia, at first intended to institute proceedings against the Old National Bank of Grand Rapids. It was found, however, that the Board had conferred upon this bank only the right to act as trustee and registrar of stocks. All of the questions involved would not, therefore, have been passed upon in that case and it was decided to proceed against the First National Bank of Bay City, to which full trust company powers had been granted by the Federal Reserve Board. Grant Fellows, Attorney General of the State of Michigan, is the attorney in the case, acting "on the relation of" the Union Trust Company, the Detroit Trust Company and the Security Trust Company of Detroit, and the Michigan Trust Company and the Grand Rapids Trust Company of Grand Rapids.

Emphasis has been laid on the fact that the suit against the First National Bank of Bay City is a friendly proceeding, designed to test the question of the power of Congress to confer on the Federal Reserve Board the authority stated and of the Reserve Board to grant to a National bank powers which the State has not conferred on banks organized under its laws. Trust company rights in Michigan have been carefully guarded, and trust companies there are not empowered to do a banking business. For these reasons it was considered that a better test of the law can be made in Michigan than in any other State.

It has been pointed out that the statement of the Federal Reserve Board, accompanying the regulation governing the entrance of State banks into the Reserve system, is very significant as showing the great powers which are being assumed by the Federal Reserve Board. It is not questioned that the members of the Board are honestly endeavoring to make regulations which will not be in contravention of State laws, but it is argued that these regulations should be matters of right conferred by law, and not matters resting in the discretion of the Federal Reserve Board. The Board appears to have asserted its rights to determine what State banks and trust companies are well managed and desirable members of the Reserve system; and further, that the rules for withdrawing from the system are entirely within their discretion. The Act itself gives no State bank or trust company which has joined the system the legal right to withdraw. The regulations of the Reserve Board are subject to change, it is pointed out, and a bank or trust company might join the system, believing it could withdraw if the connection proved unsatisfactory, and then discover that the regulations had been changed to prevent such withdrawal.

The Act itself, moreover, provides that when a State institution has entered the system it shall be subject to the rules and regulations of the Reserve Board and is still subject to the provisions of the State law. The effect of this is that the provisions of the State law may be entirely disregarded if the Board sees fit to do so. The conclusion has been reached in Michigan that Congress has delegated to the Federal Reserve Board a legislative power which it has no authority to confer. This conclusion of counsel will be the matter to be decided by the Supreme Court of Michigan. A decision of the question is expected in the Fall.

A case analagous to that in Michigan is reported

from Illinois. The Attorney General of the latter State has given an opinion adverse to the First National Bank of Joliet, on which trust powers had been conferred. The opinion concurs with that of Mr. Campbell, but the circumstances are different. The Joliet bank made application to the State Auditor for a license to exercise the powers conferred by the Federal Reserve Board. The State Auditor, under the advice of the Attorney General, refused to issue the license. An application was then made in the Supreme Court of the State for a mandamus to compel the State Auditor to issue the license. In his reply he set up the invalidity of Section 11 (k) of the Federal Reserve Act. This case will come before the Illinois Supreme Court in October. It is not unlikely that proceedings to test the validity of this section will also be made in Indiana.

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SPECULATION, GAMBLING AND MARGIN BUYING

W. C. Van Antwerp Defends Stock Exchange Transactions and Takes Exception to a Statement in the JOURNAL-BULLETIN That the Profits Are "Ill-Gotten Gains."

To the Editor.—Sir: On page 1004 of your issue of June, 1915 (Vol. 7, No. 12) appears an article entitled, "Buying Stocks on Margin," in which you use these words:

> The whole transaction is abhorrent to anyone who is so constituted morally as not to enjoy ill-gotten gains or a profit that accrues not because he has produced something, but because someone else has lost.

This statement is fallacious; the profits of one party to a speculation are not necessarily made up of the losses of another party, and this is one of many reasons why speculation is not gambling. Gambling is condemned because one party must lose if another wins, but speculation involves no such result. Again, your statement that "the whole transaction is abhorrent" is altogether at variance with the economic thought of the day. Thus Professor H. C. Emery, of Yale, says:

> Wide as is the influence of speculation, its force is felt primarily in the field of prices. By making prices it directs industry and trade, for men produce and exchange according to comparative prices. Speculation then is vitally connected with the theory of value.

Professor Edwin R. A. Seligman, in his "Principles of Economics," says:

> The result of regular speculation is to steady prices. * * * It subserves a useful and in modern times an indispensable function.

In the Supreme Court of the United States Justice Oliver Wendell Holmes (May 8, 1905) said of speculation:

> Its value is well known as a means of avoiding or mitigating catastrophes, equalizing prices and providing for periods of want.

Without taking up too much of your time, I may add that every economist of note, both at home and abroad, endorses and seeks to encourage free speculation as the one perfectly legitimate process tending to the establishment of value. We are prepared to submit to you, or to the writer of this article, not only abundant evidence in support of this contention, but additional quotations from the writers named, specifically endorsing transactions on margins.

> Our whole system of transactions on credit would have to be given up if we were to lay down as a general principle the rule that no man should buy anything for which he is not able to pay cash on the spot. Perfectly legitimate transactions can be made either in real estate or potatoes or wheat or securities by the payment of only a portion of the purchase price at the time the contract is made. What actually takes place is that the balance of the purchase price has to be borrowed. The broker carries the stocks for the customer and charges him interest, and he in turn probably has to borrow on the collateral of these stocks in order to get funds himself. Speculation on margin is nothing more than speculation on borrowed means, and, even if the practise of buying on margin were not allowed, the same thing could be accomplished by borrowing money and purchasing outright. (Professor Henry C. Emery, Yale University, on "Should Speculation Be Regulated by Law?" Journal of Accountancy, April, 1908.)

I take the liberty to add, with very great respect, that members of the Stock Exchange regret the fact that a journal devoted to the interests of American banking should condemn indiscriminately a form of speculation which is sanctioned by the courts, endorsed by the economists and supported by the public in every civilized country.

That there are evils in speculation just as there are evils in every arena of human activity goes without saying, but the allegation that a right or a power, otherwise well established, may be liable to abuse, is not a valid argument against that right or power, unless it can be shown that the prevalence of the abuse neutralizes the good accomplished.

WM. C. VAN ANTWERP,
New York Stock Exchange.

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RIGGS BANK DECISION POSTPONED

It is announced that the decision in the case of the Riggs Bank v. Comptroller Williams et al., pending in the Supreme Court of the District of Columbia, will not be rendered until October.

SAVINGS BANK SECTION

OFFICERS OF THE SAVINGS BANK SECTION

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W. E. KNOX, Comptroller Bowery Savings Bank, New York City.

FIRST VICE-PRESIDENT
N. F. HAWLEY, Treasurer Farmers & Mechanics Savings Bank, Minneapolis, Minn.

SECRETARY
MILTON W. HARRISON, Five Nassau Street, New York City.

REGULATION REGARDING POSTAL SAVINGS DEPOSITS HELD TO BE NOT RETROACTIVE

The following is an extract from the opinion of Attorney-General Gregory on Section 15 of the Federal Reserve Act, holding that it is not retroactive with respect to deposits of postal savings in non-member banks:

That portion of Section 15 of the Federal Reserve Act of December 23, 1913, reading: "No public funds of the Postal Savings shall be deposited in the Continental United States, in any bank not belonging to the System established by this Act," does not take effect until after a Reserve bank has been authorized by the Comptroller to "commence business" in the district and the Secretary "shall have officially announced" its establishment.

Funds of the Postal Savings on deposit elsewhere at the time that the above clause becomes operative need not then be transferred to, and redeposited in, a member or Reserve bank.

"The policy observed as to funds under control of the Secretary of the Treasury was meant to be applied also to the funds of the Postal Savings, which are under the control of the Postmaster-General. The committee had no thought of distinguishing between funds. Theirs was a general policy to preserve an independent treasury, not to strengthen the claim of System banks to the use of the funds.

"The words 'shall be deposited,' as used in the original draft, could only mean an affirmative act of future deposit. I must assume they were used with like meaning in the committee's amendment. Moreover, the ordinary meaning of the transitive verb 'deposit' is, 'to place or lodge for safe keeping; to place in some repository; to commit to the care of anyone; to place for care or custody; to lodge in trust.' They should not be read as 'shall be allowed to remain on deposit.'"

THE REWARD OF THRIFT

It will be remembered that about a year ago arrangements were completed with the Vitagraph Company of America for the production of the three-reel photo-play, "The Reward of Thrift," primarily showing the value of the thrift habit. The play portrays the fortunes of a thrifty structural iron worker and his wife and little daughter, and how thrift during prosperity tides over adversity. There is a "bad man," too, who is finally converted to thrift by the hero, despite the fact this man once attempted the hero's life.

Actual scenes of work on a steel framed skyscraper and in caissons under compressed air are shown, as well as actual scenes in the school savings bank, the real savings bank, where a forger is arrested by means of the finger print method of identification, and the building and loan association, all presented in a dramatic setting which grips the attention and leaves the desired impression.

It is very significant and gratifying to note that since September 1st of last year, according to statistics recently gathered, "The Reward of Thrift" has been shown in 2,746 motion picture theaters in the United States and Canada. P. L. Waters, General Manager of the General Film Company of New York, estimates an average attendance of 600 people, which means that 1,647,600 people have seen "The Reward of Thrift" film.

The great amount of good which this picture has done in encouraging the people to save cannot be estimated. Obviously the banks derive much benefit in increased deposits.

The Secretary has a number of pamphlets describing this picture and explaining how the bank can secure it for exhibition in its community.

SOME HELP WANTED!

The following is what some of the boys of the Minneapolis public schools are doing in connection with their school savings banks:

$100 was saved by an energetic Norwegian boy in the seventh grade. He earned it all working in a store after school and Saturdays. With this money he intends to go to high school.

$60 has been saved by a little sixth-grade boy for a trip to Panama with his father and mother next year. His parents cannot afford to take him so he has been saving his money earned from a newspaper route and hopes to have between $100 and $150 by next summer.

$50 has been put on interest by a twelve-year-old boy who works in his father's store. He plans to buy a cottage at the lake where he and his Boy Scout Troop may camp in vacation time.

$50 was saved by a Bohemian boy of about thirteen years. He paid an instalment on a farm which he and his father have bought together. It is nearing another instalment time and the boy has another $50 ready. He earns his money by shoe-shining and selling papers.

$5 saved by running errands and doing odd jobs for the neighbors was invested in a small cart by a little boy 10 years old. With this wagon he peddled vegetables from a garden which he himself had helped plant, and with the money earned bought his clothes for the winter. This year he plans to go into the business on a little more extensive scale and eventually put himself through school.

If there are any other stories of this character which you may have the Secretary of the Savings Bank Section will appreciate your sending them in.

ENCOURAGING THRIFT AT THE SOURCE

Several New England banks are distributing gratis to the factories in their communities pay envelopes with subject matter printed thereon such as shown herewith.

Judging from the results, this seems to be a most successful method of reaching the workingman and encouraging him to save. The very suggestion on receiving the envelope, to lay some of the contents aside toward a saving fund, is most impressive. He is indicted right on the spot, and directed where to place his surplus.

One of the Massachusetts banks reports that this manner of advertising has done more to nearly double the amount of deposits within the past eight years than any other factor.

If any bank has evolved a novel scheme of advertising, or has installed or planned a new system, the Secretary of the Savings Bank Section would be glad to receive a description of it.

STOP!

STOP and consider! While you are young and strong and active your services are in demand. But you are surely approaching the time when your place will be taken by a younger and more active person. A little saved here and there will provide for that day and form the stepping stones to fortune.

DON'T WAIT TOO LONG!

Deposit Saturday Evening 6 to 8 or during Regular Hours.

ASSOCIATION FIVE CENTS SAVINGS BANK

NOTHING PUTS A . . . . . MAN TOGETHER

or holds him to a purpose like the systematic saving of money. BEGIN TODAY and as the years pass, you will look back upon your decision with much satisfaction.

One Dollar Opens an Account

Deposits received Saturday Evenings 6 to 8 in addition to Regular Banking Hours.

ASSOCIATION FIVE CENTS SAVINGS BANK

THE RAINY DAY

is ahead of every one, perhaps even YOU. Are you preparing for it by systematically saving?

BEGIN TO-DAY

One Dollar Opens an Account.

Then deposit weekly.

Deposits received Saturday Evenings 6 to 8 in addition to Regular Banking Hours.

ASSOCIATION FIVE CENTS SAVINGS BANK

316 Main Street

BOOK OF FORMS.

The book of forms for savings banks and savings departments in commercial banks and trust companies may be furnished to members of the Association for four dollars and to non-members for seven dollars.

CLEARING HOUSE SECTION

OFFICERS OF THE CLEARING HOUSE SECTION

PRESIDENT
A. O. WILSON, Vice-President State National Bank, St. Louis, Mo.

CHAIRMAN EXECUTIVE COMMITTEE
W. D. VINCENT, Vice-President Old National Bank, Spokane, Wash.

VICE-PRESIDENT
J. D. AYRES, Vice-President The Bank of Pittsburgh, N. A. Pittsburgh, Pa.

PROPOSED METHOD OF DESIGNATING "NO PROTEST" CASH ITEMS IN TRANSIT

It is not unusual to find banks adhering to methods and customs made obsolete by modern conditions of business but which are rigidly followed in deference to a rule of law that may have been established before the days of the telephone and telegraph or up-to-date banking legislation. Among such may be noted the custom of refusing to send checks to the bank upon which drawn—a theory as impossible in practise as it may be sound in law. This doctrine has long since been exploded and few banks give any consideration to it. The next time-honored legal nonsensity that is due to go by the board is the rule that instructions upon the item (no matter how authentic such instructions may be) are to be ignored unless they are confirmed on the letter. Since the same clerk may, and usually does, make both records it is difficult to see why an official stamp or mark upon the item itself should be ignored and the same stamp or mark honored upon the letter. The absurdity of the proposition is the more pronounced when it is remembered that it is the *check* and *not* the letter or the envelope or the postage stamp that is or is not to be protested.

The attention of members is directed to the following plan, described by its originator, Thomas A. Scott, of Lynchburg, Va. Mr. Scott writes as follows:

"Under the system now prevailing among banks in their instructions to correspondents as to protesting checks included in their cash letters the majority of the banks have their cash letters headed somewhat like this:

"'Do not protest items $10 and under or those marked (X).'

"Then, in filling up the letter, they make the cross mark (X) on the letter opposite each item over $10 that is not to be protested. In some cases the item itself bears the words 'No Protest' stamped on its face, but the banks are governed only by the instructions on the letter.

"Sometimes an item which has passed through several banks bears, by the time it reaches its final destination, three or four stamps which were placed on it by as many clerks, each calling the attention of his correspondent to the fact that he will find *on the letter* special instructions regarding this particular item. However, as stated above, each correspondent is governed by the instructions *on the letter,* whether there are any on the item or not.

"Now, a check payable in Pasadena, Cal., is deposited in Lynchburg, Va. On its way it will probably pass through at least four banks, say, in Baltimore, Chicago, San Francisco and Los Angeles, not counting those in Lynchburg and Pasadena. It is safe to assume that in most cases the item is checked into each of these intermediate banks by one clerk and routed out by another, so that when we count the banks at each end of the line at least eight or ten persons are responsible for the protesting or non-protesting of the item. All this trouble and responsibility is just for the purpose of conveying perfectly simple instructions from the Lynchburg bank to the Pasadena bank to the effect that the check is not to be protested in case there are not sufficient funds on deposit or if for any other reason it is not paid.

"This is rather a long preamble and all these things are of course perfectly well known to anyone who is at all familiar with the working of the transit department in banks, but all the above facts must be borne in mind in considering what is to follow.

"For a long time the writer has thought there must be some method of conveying the necessary instructions from the bank of original deposit to the paying bank which would relieve the clerks of the intermediate banks of all unnecessary responsibility and at the same time give the paying bank definitely to understand that the *original depositor* and *his bank* do not want an item protested.

"And, again, we must remember that *just this one desired result* is the cause of all our trouble.

"The adoption by the American Bankers Association of the numerical system has simplified, or can be made to simplify, a good many things in the correspondence between the banks.

"The bank with which the writer is connected has its transit letters headed as follows:

"'Do not protest items $10 or under or those bearing this stamp (N. P. 68-77) on face or back.'

"Each item that we do not want protested is stamped in this way—on the face if it is deposited by our customers; on the back if we received it for col-

lection from another bank. Then no special mark whatever is placed opposite the item on the letter. Nevertheless we believe that since in a case of this kind the number (68-77) may be taken as the signature of our bank, as we intend it, our correspondent will understand perfectly well our wish in the matter and govern himself accordingly.

"Now, since this method conveys our instructions to our correspondent, why could it not as well convey the same instructions to the final paying bank, in California or elsewhere? It would only be necessary for each bank in the Association to have its transit letters headed thus:

"'Do not protest items $10 or under or those bearing this stamp (N. P. 68-77) or similar authority of a preceding indorser.'

"The transit number would, of course, be changed to suit the individual case and the 'authority of a preceding indorser' would be determined by the fact that each bank through which an item passes now has its transit number on its indorsement stamp.

"Then the bank in which the item is originally deposited will place its stamp (N. P. 68-77) on the face of the item. The bank where the check is payable will *know* that the original forwarding bank does not want it protested. The item will bear only one 'No Protest' stamp, by which *all* the banks will be governed. The clerks in 'Baltimore, Chicago, San Francisco and Los Angeles' will be relieved of all responsibility in the matter whatsoever AND THE DESIRED RESULT WILL BE OBTAINED."

Mr. Scott has handled the question very clearly, and he has explained the way out of the difficulty. We should be glad to have him or some other wide-awake banker suggest a plan whereby all banks can be induced to agree to the proposition.

NEW MEMBERS

Two new members have joined the Clearing House Section since the last issue of the JOURNAL-BULLETIN. They are the Clearing House Associations of Ennis, Tex., and Jackson, Mich.

FIRST BRANCH RESERVE BANK AT NEW ORLEANS

The Federal Reserve Board has approved the request of the Federal Reserve Bank of Atlanta to open a branch at New Orleans, La. The Board, however, states that it is not ready at this time to promulgate any general rules applicable to other points, as it regards the proposition as somewhat experimental.

The banks comprised in the New Orleans Clearing House Association have undertaken to make good for the first year of operation any difference between the expense of conducting the new branch bank now proposed and the revenues to be derived from it. No definite assignment of territory has been made to the New Orleans branch, but it is understood that it is intended to assign to it the member banks of Louisiana and Mississippi in District 6, and those of Mobile and Baldwin counties, Alabama.

The Board has directed that the New Orleans branch shall conduct only operations in the discount and purchase of commercial paper and acceptances and those relating to clearing, collection and exchange transactions and transfers of funds. The issue of notes and the function of rediscounting with other Federal Reserve Banks, the purchase of United States bonds and notes and dealings in warrants of "municipalities" are to be carried on solely by the Federal Reserve Bank of Atlanta. All operations are to be reported promptly to the Federal Reserve Bank of Atlanta and the Federal Reserve Board is to be advised of the same without delay. The transactions of the New Orleans branch will be considered as the transactions of the Federal Reserve Bank of Atlanta, and so reported in the statements of the latter.

BANKER-FARMER CONFERENCE

As this issue of the JOURNAL-BULLETIN is being mailed representatives of thirty-nine State Associations, colleges of agriculture, agricultural editors, etc., are gathering in Chicago to take part in the Banker-Farmer Conference promoted by the Agricultural Commission of the American Bankers Association. An extended notice of this conference was published in the June number, but owing to the dates chosen for the meeting (July 7 and 8) it is not possible to give an account of the proceedings this month. A complete report will be published in the August number.

STATE SECRETARIES SECTION

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HAYNES McFADDEN, Secretary Georgia Bankers Association,
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GEORGE D. BARTLETT, Secretary Wisconsin Bankers Association,
Milwaukee, Wis.

SECRETARY-TREASURER
GEORGE H. RICHARDS, Secretary Minnesota Bankers Association,
Minneapolis, Minn.

THE RESERVE SYSTEM AND FOREIGN TRADE ENGAGED ATTENTION OF NEW YORK BANKERS

Foreign trade, the effect of the war in Europe on American finance and industry, and the Federal Reserve system were the three subjects that particularly engaged the attention of the New York State Bankers Association, which held its twenty-second annual convention at Saratoga Springs June 24 and 25. James H. Perkins, President of the Association; Benjamin Strong, Jr., Governor of the New York Federal Reserve Bank, and Charles S. Hamlin, Governor of the Federal Reserve Board, were the speakers at the business meetings.

In discussing the situation Mr. Perkins said that the development of foreign trade is the new problem which confronts American bankers. "Our attitude toward international matters," he said, "has been provincial, and in order to take advantage of the opportunities and to perform well our international duties we must immediately begin to tune ourselves up to new conditions. Efficiency and co-operation are the two great needs of the moment. We are going out into the world where we are not protected by any tariff wall, where we must meet—not now, but very soon—the competition of a country like Germany, organized to the last detail for the expansion of its trade. * * * We shall also meet the competition of England, which for four or five centuries has been sending her young men to every corner of the earth, a country in which the course of foreign trade is as familiar as that which is carried on within her borders; and, further, a country possessed of the greatest merchant fleet afloat."

Mr. Perkins appealed to all bankers to approach the question under discussion with open minds; to indulge only in constructive criticism and to remember that the Reserve banks belong to the members.

Governor Strong gave a detailed account of the organization and operation of the Federal Reserve Bank of New York; he discussed the institution and development of the check collection system, laying particular emphasis on the practical points that interest bankers. He enumerated the services which correspondent banks render their customers and said that eventually many of the services can be performed by the Reserve bank. On this subject he said specifically: "If the State banks do not take membership, under terms which are fair and equitable, and the member banks find that they will require the services of the Reserve bank to effect economical collection of non-member checks, the terms upon which this service is performed ought to afford some advantage to the member banks. But, in my opinion, no attempt of this character could be made until the basis of membership for State banks has been so fairly and justly established that no criticism can possibly arise as a result of preferences shown to the banks which are members."

The State Bank Question

In discussing the admission of State banks into the system Governor Strong spoke as follows:

> The regulations just published will permit the kind of co-operation between the banking department of this State and the Federal Reserve Bank which should insure a minimum of expense and inconvenience to State banks which become members. I hope to see arrangements made by which the regular examinations by the State Examiners can be conducted jointly with those of the Reserve banks. Likewise, it should be possible to have copies of the reports now regularly made to the State Banking Department filed with the Reserve bank and with very few, if any, modifications in the forms now used. In this connection it must be noticed that the new banking law of this State, adopted last year, made express provision for State banks and trust companies joining the Reserve system. The procedure for admission in this State, where the examinations have been thorough and effective, will be simple and prompt.

In speaking of the excess reserves of banks Governor Strong said that their vast proportion imposes a huge responsibility on bankers. The situation, he declared is one that might easily lead to a riot of speculation, inflation and exploitation if the bankers were so unwise as to permit it. After talking about the opportunities for foreign trade and the service performed by the Aldrich-Vreeland law, Governor Strong concluded by saying that the management of the New York Reserve Bank is working for the broadest possible development of the system. He asked the support of the member banks as well as of the State banks in order "to insure the breadth and strength that means success."

Politics in the System

In the discussion that followed, Elliot C. McDougal, of Buffalo, said that if he understood the position of the State bankers, they were not hostile to the Reserve system and that they would join or not, according to the system's attraction. Just now, he said, "the State

bankers are sitting back and looking to see how the thing works out." He pointed out the difficulties that attach to making the check collection feature a success, and added that when it is a success "we will commence to consider more carefully the question whether we shall come in or not."

Mr. McDougal said that the Federal Reserve Board has been doing its duty well, but that it is impossible to get away from the political influence that has been in evidence. "There is no objection to the members of the Board being appointed by the President; we are willing to trust them, but they should be absolutely independent; they should be men appointed from outside the circle of Government officials. There should be no Government official on the Board."

A little later Mr. McDougal said: "There is a growing tendency in the national system to get into politics. The question whether the stockholders of a bank want to risk and lose their own money is their own business. * * * We do not care how strict examinations are or what the requirements are, but we do not want them to come in and tell us how we shall run our business. That is one reason why we hesitate in regard to this new banking system. We are afraid it is going to try to run our business for us."

In his address Governor Hamlin confined his remarks to the operation of the new law and the benefits which have resulted and which will result in the future. Many questions were asked Mr. Hamlin, and there was a general discussion.

The speakers at the banquet were James A. Emery, of Washington, whose subject was "Business and Legislation"; Chancellor James R. Day, of Syracuse University, and Joseph A. Lawson, of Albany.

The officers elected for the ensuing year are: President, John A. Kloepfer, President of the Union Stock Yards Bank, Buffalo; Vice-President, Benjamin E. Smythe, President of the Gramatan National Bank, Bronxville; Secretary, William J. Henry, New York City (re-elected); Treasurer, F. L. Barnes, Cashier of the National Bank of Syracuse, Syracuse.

The elections at the meeting of the American Bankers Association in New York resulted as follows: Member of the Executive Council, James H. Perkins, Vice-President of the National City Bank, New York City; Vice-President for New York, Charles O. Ireland, Cashier of the Bank of Amityville, Amityville; member Nominating Committee, D. M. Hopping, President Yonkers National Bank, Yonkers; Alternate, E. L. Milmine, Vice-President Mohawk National Bank, Schenectady.

ALABAMANS PLAN TO MEET AT PENSACOLA IN 1916

Secretary McLane Tilton, Jr., of the Alabama Bankers Association, states that the dates for the 1916 convention will be May 11, 12, and 13, at Pensacola, Fla. Headquarters at the San Carlos Hotel.

IOWA MEETING AT DAVENPORT DRAWS RECORD ATTENDANCE

The Davenport convention of the Iowa Bankers Association, held June 22 and 23, surpassed even its own high records for attendance, a large number of bankers being registered from most of the large cities of the country. President J. L. Edwards, in a short address, reviewed the year's accomplishments and the convention listened to excellent talks by Senator Weeks and Senator Sherman; B. A. Ruffin, Secretary of the A. B. A. Insurance Committee; Secretary W. B. Harrison, of the Oklahoma Association; William J. Burns, of the William J. Burns International Detective Agency, and Allan D. Albert, editor of the Minneapolis "Tribune." The 1916 convention will be held at Waterloo.

Officers elected for the ensuing year are: President, H. T. Blackburn, Cashier Des Moines Savings Bank, Des Moines; Vice-President, W. A. Dexter, Cashier First National Bank, Toledo; Treasurer, C. J. Wohlenberg, Cashier Holstein Savings Bank, Holstein; Secretary, P. W. Hall, Des Moines (re-elected).

PENNSYLVANIA BANKERS HEAR EX-PRESIDENT TAFT

The Pennsylvania Bankers Association held its twenty-first annual convention June 17 and 18 at Cape May, N. J., this being the second time in his history that it has met outside the State. There was also a strong drawing card in the person of ex-President William H. Taft, who was given a most enthusiastic greeting when he addressed the bankers at the annual banquet. Professor Taft spoke on topics of national interest, such as the growth of industries, legislative ideals, the railroads, etc. L. T. McFadden, Cashier of the First National Bank of Canton and President of the Association, presided over the session.

Charles P. Moore, of New York, a former Judge of the Circuit Court of Virginia, spoke on international arbitration. Dr. Edwin E. Sparks, President of State College, asked the Association to establish a scholarship, either for agriculture or for economics and finance, and the Association authorized the Administrative Committee to take up this work. Other addresses of interest were given by Governor Charles J. Rhoads, of the Federal Reserve Board of Philadelphia, explaining the working of the law in practise; President George E. Vincent, of the University of Minnesota, on "The Psychology of the Crowd," and Col. Ned Arden Flood, of the New York banking firm of Goldman, Sachs & Co., on financial topics.

Secretary D. S. Kloss reported a net gain of three members, making a total of 1,155, a new high-water mark in the history of the Association. The report of Treasurer C. J. Nieman showed a most prosperous condition.

The officers elected are: President, E. P. Passmore, Vice-President and Cashier of the Franklin

National Bank, Philadelphia; Vice-President, J. W. B. Bausman, President Farmers Trust Company, Lancaster; Secretary, D. S. Kloss, Cashier First National Bank, Tyrone (re-elected); Treasurer, C. J. Nieman, Cashier First National Bank, Leechburg (re-elected).

At a meeting of the Trust Company Section it was decided to continue the Section for another year. The following officers were re-elected: Chairman, George W. Reily; Secretary, John Way; Treasurer, B. M. Martin.

At the close of the morning session of the convention the members of the American Bankers Association in Pennsylvania held a meeting, at which the following elections were made: Member Executive Council, A. S. Beymer, Cashier Keystone National Bank, Pittsburgh; Vice-President for Pennsylvania, H. G. Siegfried, Cashier Easton National Bank, Easton; member Nominating Committee, L. T. McFadden, Cashier First National Bank, Canton; alternate, H. W. Stubbs, Cashier Steelton National Bank, Steelton.

OHIO BANKERS HOLD BIG MEETING AT CEDAR POINT

The twenty-fifth annual convention of the Ohio Bankers Association was held June 23 and 24 at Cedar Point, with several hundred delegates in attendance. President E. L. Coen called the convention to order and reviewed the year's progress. The program was a splendid one, including addresses by the following: Hon. John Barrett, Director-General of the Pan-American Union, "Our Pan-American Opportunity;" Clay Herrick, of Cleveland, "Borrowers' Statements and the Rulings of the Federal Reserve Board;" A. B. Leach, President Investment Bankers Association, "Some Financial Aspects of the European War;" R. H. Schryver, President First National Bank of Mt. Sterling, O.; Congressman S. D. Fess, "Lincoln;" W. S. Evans, President American Institute of Banking, "The Institute;" W. S. Kies, National City Bank of New York, "Some of the Problems in Connection with the Extension of Our Foreign Trade;" W. P. G. Harding, member Federal Reserve Board, "The Federal Reserve System and the Member Banks." A pleasing part of the program was the presentation of a gavel to the retiring President, a ceremony which was performed most happily by L. F. Kiesewetter.

The Association endorsed a plan of having county agents and experiment farms in every county. Appointment of a commission for the codification of the State's banking laws was also recommended.

The Association passed unanimously a resolution endorsing the William J. Burns International Detective Agency. The resolution will be found in full on another page of this issue.

Following are the officers elected: President, O. N. Sams, President of the Merchants National Bank, Hillsboro; Vice-President, A. E. Adams, President of the First National Bank, Youngstown; Secretary, S. B. Rankin, President of the Bank of South Charleston, South Charleston (re-elected for the twenty-fifth time); Treasurer, W. L. Lamb, Assistant Cashier of the National Bank of Commerce, Toledo.

At a meeting of the members of the American Bankers Association in Ohio the following elections were made: Vice-President for Ohio, F. P. Zollinger, President Third National Bank, Sandusky; member Nominating Committee, M. W. Renick, President First National Bank, Middletown; alternate, I. M. Taggert, Cashier Merchants National Bank, Massillon.

COAST BANKERS HOLD JOINT SESSION IN SAN FRANCISCO

The biggest State convention of May was undoubtedly the joint meeting held by the Bankers Associations of California, Oregon, Idaho and Nevada at San Francisco May 27, 28 and 29. Each of these associations, of course, held its own separate meeting for the purpose of hearing reports of officers and committees, transacting special business, etc., but chief interest centered about the joint gathering, which comprised three sessions. President R. M. Welch, of the California Association, presided at the joint meetings.

Among the able speakers who addressed the meetings were Hon. Carter Glass, Chairman of the House Banking and Currency Committee, on "The Federal Reserve System"; John Perrin, Federal Reserve Agent of the Twelfth Federal Reserve District, on the same topic; Dr. E. E. Pratt, Chief of Bureau of Foreign and Domestic Commerce, United States Department of Commerce, on "Foreign Trade and Domestic Prosperity"; Professor H. Morse Stevens, of the University of California, on "Frederick the Great and the German Landschaften," and E. N Sensenich, Cashier of the Northwestern National Bank, Portland, Ore., on "Well Rounded Principles of Banking"; Senator James D. Phelan, of California, "Resources of California"; Hon. Horacio Anasagasti, Commissioner for Argentina, "Short Cuts to Closer Relations."

The visiting bankers were the guests of the San Francisco bankers, who left no stone unturned to make the entertainment program a success. There were receptions for the ladies in the California Building, Exposition Grounds, and for the men at the Commercial Club; a trip on one of the Key Route ferryboats to witness the illumination and fireworks at the exposition; a reception and ball in the ballroom of the California Building, and an automobile trip over Twin Peaks, through Golden Gate Park and the Presidio Military Reservation. The California bankers are to be congratulated on their excellent handling of this important gathering.

The California Bankers Association passed the following resolution:

"Whereas, The protective feature of the American Bankers Association is the one that appeals most

strongly to the members of the Association, and

"Whereas, This department has been conducted for the past three years by the Burns Agency in a manner that is satisfactory, and at a much less expense than heretofore; be it

"Resolved, That we indorse the action of the Executive Council of the American Bankers Association in extending the contract with the Burns Agency for the protection of its members."

The four Associations held separate meetings for the transaction of routine business and election of officers. The results of the elections of the several associations are as follows:

California:—President, Charles A. Smith, Cashier of the Security Bank, Oakland; Vice-President, J. M. Henderson, President of the Sacramento Bank, Sacramento; Secretary, Frederick H. Colburn, San Francisco (re-elected); Treasurer, G. A. Kennedy, Assistant Cashier of the First National Bank, San Francisco.

Idaho:—President, F. L. Davis, Cashier of the Fremont County Bank, Sugar; Vice-President, C. H. Coffin, Assistant Cashier of the Boise City National Bank, Boise; Secretary, J. W. Robinson, Secretary of the Union Savings & Trust Company, Boise (re-elected); Treasurer, E. H. Plowhead, Cashier of the Caldwell Commercial Bank, Caldwell.

Nevada:—C. W. Foote, Cashier of the Churchill County Bank, Fallon; Vice-President, Moses Reinhart, President of the Winnemucca State Bank, Winnemucca; Secretary, J. W. Davey, Assistant Cashier of the Reno Clearing House Association, Reno (re-elected); Treasurer, J. T. Goodin, Cashier of the First National Bank, Lovelocks.

Oregon:—President, J. M. Poorman, Cashier of the Bank of Woodburn, Woodburn; Vice-President, F. L. Meyers, Cashier of the Le Grande National Bank, Le Grande; Secretary, J. L. Hartman, of Hartman & Thompson, bankers, Portland (re-elected); Treasurer, William G. Tate, President of the First National Bank, Tillamook.

NORTH CAROLINA TO HAVE AGRICULTURAL COMMISSION

The nineteenth annual convention of the North Carolina Bankers Association, held June 17, 18 and 19 at Wrightsville Beach, was all of the success that had been anticipated for it. Although the meeting was on a large scale, it was ably handled by the Wilmington bankers, the hosts of the convention. A large party stayed over after the convention and took a trip to New York on the Clyde Line steamer "Comanche." Officers were elected as follows:

President, J. L. Armfield, President of the Bank of Thomasville, Thomasville; Vice-Presidents, W. S. Blakeney, Monroe; W. B. Drake, Jr., Raleigh; James A. Gray, Jr., Winston-Salem; Secretary-Treasurer, William A. Hunt, Cashier Citizens Bank, Henderson (re-elected).

At a meeting of the members of the American Bankers Association in North Carolina the following officers were elected: Member of the Executive Council, W. E. Wilkerson, Cashier of the Merchants & Farmers National Bank, Charlotte; Vice-President for North Carolina, Thomas E. Cooper, President of the American National Bank, Wilmington; member Nominating Committee, William A. Hunt, Cashier of the Citizens Bank, Henderson.

Addresses were made by W. P. G. Harding, of the Federal Reserve Board, and William Ingle, Federal Reserve Agent, of the Federal Reserve Bank of Richmond.

The Association authorized the appointment of an Agricultural Commission, to which was referred the matter of a system of cotton warehousing.

UTAH BANKERS TO PROMOTE COHESION AMONG MEMBERS.

The seventh annual convention of the Utah Bankers Association, held June 10 and 11 at Salt Lake City, was the largest in attendance and the most successful in its history. Besides discussing important business matters the bankers enjoyed an excellent program of entertainment, including a banquet, reception and ball at the Hotel Utah. The association decided that greater cohesion among member banks was necessary, a work which is to be promoted by a special committee to be named by the Executive Committee. Resolutions were also adopted declaring unjust the assessment of banks for taxes on a basis of seventy-five per cent. of actual value of property, whereas other branches of business are not assessed so high.

President Charles S. Burton presided at the sessions. The report of the Secretary showed a membership of ninety-six out of 114 institutions doing business in the State. Addresses were made by Chas. R. Mabey, Cashier of the Bountiful State Bank, Bountiful; John A. Malia, Assistant Cashier of the National Copper Bank; Russell Lowry, Deputy Governor of the Federal Reserve Bank of San Francisco, on "The Actual Workings of the Federal Reserve Bank," and Dr. John A. Widtsoe, of the Utah Agricultural College, on "Agricultural Development and Education as Applied to the Banking Business." Governor William Spry also addressed the convention. The speakers at the banquet were United States Senator George Sutherland, Russell Lowry, Heber J. Grant and Thomas M. Taylor, of Provo. E. M. Allison was toastmaster.

The officers elected are: President, M. S. Browning, President First National Bank, Ogden; First Vice-President, John Pingree, President Merchants Bank, Salt Lake City; Second Vice-President, George E. Whitmore, Cashier First National Bank, Nephi; Secretary-Treasurer, J. E. Shepard, Cashier Cache Valley Banking Company, Logan (re-elected for the sixth consecutive term).

The members of the American Bankers Associa-

tion in Utah held a meeting at which the following officers were elected: Vice-President for Utah, Rodney T. Badger, Vice-President of the Utah State National Bank, Salt Lake City; member Nominating Committee, M. S. Browning, President of the First National Bank, Ogden; Alternate, John Pingree, President of the Merchants Bank, Salt Lake City.

NEW JERSEY WELCOMES BANKERS FROM MARYLAND

Members of the Maryland Bankers Association to the number of 300 attended the twentieth annual convention at Cape May, N. J., June 23 and 24. It was the largest and one of the most successful ever held, closing with a banquet and ball. New Jersey extended a welcome through President I. Snowden Haines, of the New Jersey Bankers Association, to which President George R. Gehr, of the Maryland Association, replied. Addresses were made by John Barrett, Director-General of the Pan-American Union; Edward J. Cattell, of Philadelphia, and Waldo Newcomer, President of the National Exchange Bank of Baltimore. The officers elected are:

President, Harvey L. Cooper, President Denton National Bank, Denton; Vice-President, James M. Sloan, President Lonaconing Savings Bank, Lonaconing; Secretary, Charles Hann, Assistant Cashier Merchants-Mechanics National Bank, Baltimore (re-elected); Treasurer, William Marriott, Cashier Western National Bank of Baltimore.

NORTH DAKOTA BANKERS ENDORSE PROTECTIVE WORK

An unusually profitable and well attended meeting was the thirteenth annual gathering of the North Dakota Bankers Association, held June 16 and 17 at Bismarck. The addresses delivered were of peculiar merit, in particular those of John J. Arnold, vice-president and manager of the foreign department of the First National Bank of Chicago, whose subject was "International Relationship and Trade Development," and E. B. Wilson, publicity manager of the Bankers Trust Company of New York, who spoke on "Efficiency in Advertising." The convention strongly endorsed the work of the American Bankers Association, and those present were urged to help increase membership in the A. B. A. to a much larger percentage of the banks of the State than they now have. The work of the William J. Burns Internationl Detective Agency was also strongly endorsed and a resolution was adopted urging the American Bankers Association to renew this contract on its expiration.

The following officers were elected: President, W. D. McClintock, President of the Merchants Bank, Rugby; Vice-President, J. E. Phelan, President of the First National Bank, Bowman; Secretary, W. C. Macfadden, Fargo (re-elected); Treasurer, C. W. Fielder, Cashier of the Bottineau County Bank, Bottineau.

The members of the American Bankers Association in Ohio held a meeting and elected J. L. Bell, Vice-President of the First National Bank, Bismarck, Vice-President for Ohio, and W. D. McClintock, President of the Merchants Bank, Rugby, was made a member of the Nominating Committee.

Other speakers in addition to those mentioned above were: H. J. Dreher, of the Marshall and Ilsley Bank, Milwaukee, on banking problems; William J. Burns, "A New Era in the Detection of Crime"; Prof. H. R. Smith, of the First National of St. Paul, "Live Stock and Live Stock Feeding"; B. A. Ruffin, secretary of the A. B. A. Insurance Committee, "Burglary Insurance and Bonds"; John M. Rich, Chairman of the Board of the Ninth District Federal Reserve Bank, "The Federal Reserve Bank."

The entertainment features included a visit to the Indian School, the annual banquet and reunion, and an enjoyable steamer trip on the Missouri River.

SIX ASSOCIATIONS MEET IN NEW ENGLAND GATHERING

About 450 bankers and their guests, representing the six State Associations of Maine, New Hampshire, Connecticut, Massachusetts, Vermont and Rhode Island, attended the second annual convention of the New England Bankers Association at the Griswold, New London, Conn., June 18 and 19. The large attendance and the great interest shown was evidence of the benefits and advantages derived from these joint meetings. Special credit is due to Charles E. Hoyt, Secretary of the Connecticut Bankers Association, for the excellence of the arrangements.

Marcus H. Holcomb, Governor of Connecticut, welcomed the delegates and their guests at the annual banquet, and a cordial greeting was also spoken by Nathan D. Prince, President of the Connecticut Association. The gathering was addressed by William A. Law, President of the American Bankers Association, and William H. Taft, ex-President of the United States.

At the joint session of the Associations the following day Governor Alfred L. Aiken, of the Federal Reserve Bank of Boston, presided, and an address was delivered by Charles S. Hamlin, Governor of the Federal Reserve Board.

Separate meetings were held by the various Associations for the transaction of routine business. Election of officers was required in only three of the Associations, with the following results:

New Hampshire—President, Frederick W. Sawyer, Vice-President and Cashier Souhegan National Bank, Milford; Secretary, Harry L. Additon, Cashier Merchants National Bank, Manchester (re-elected); Treasurer, Bernard Q. Bond, Cashier Norway Plains Savings Bank, Rochester. Members of the American Bankers Association met and elected A. L. Mansfield, Cashier First National Bank of Hillsborough, Vice-President for New Hampshire; Ira F. Harris, Cashier Indian

Head National Bank of Nashua, member Nominating Committee.

Connecticut—President, William H. Douglass, President Mechanics Bank of New Haven; Vice-President, F. S. Chamberlain, Cashier New Britain National; Secretary, Charles E. Hoyt, Secretary and Treasurer South Norwalk Trust Company (re-elected); Treasurer, Charles N. Coyt, Vice-President First National Bank of Litchfield.

Members of the American Bankers Association in Massachusetts met and elected the following: Members of the Executive Council, F. A. Drury, President Merchants National Bank, Worcester, and Thomas P. Beal, Jr., Vice-President Second National Bank, Boston; Vice-President for Massachusetts, Ashton L. Carr, Vice-President State Street Trust Company, Boston; member Nominating Committee, George W. Hyde, Assistant Cashier First National Bank, Boston; alternate, Ralph P. Alden, Cashier Springfield National Bank, Springfield.

MAINE BANKERS HOLD MEETING AT AUGUSTA

The Maine Bankers Association held its annual meeting June 12 at the Augusta House, Augusta, The business session in the afternoon was followed by a banquet at which nearly four score guests attended. Sewall D. Maddocks, President of the Association, was toastmaster, and the principal speakers were Hon. C. S. Hichborn, President of the Maine National Bank Association; Fred. E. Farnsworth, General Secretary of the American Bankers Association, and Governor Alfred L. Aiken, of the Federal Reserve Bank of Boston. Governor Aiken emphasized the fact that the Reserve Act had provided unusual facilities for the development of our foreign business. Colonel Farnsworth discussed the problem of elastic currency and showed that thus far the elasticity under the Reserve Act had all been in the direction of expansion.

The visiting bankers were hospitably entertained. On Sunday morning there was a trip to Lake Cobbosseecontee and in the afternoon the party paid a visit to the Soldiers' Home at Togus.

Following are the officers elected: President, Sumner C. Parcher, President of the Saco & Biddeford Savings Institution, Saco; Vice-President, Ernest J. Eddy, Vice-President and Cashier of the Fidelity Trust Company, Portland; Secretary, E. S. Kennard, Cashier of the Rumford National Bank, Rumford; Treasurer, George A. Safford, Treasurer of the Kenduskeag Trust Company, Bangor (re-elected).

At a meeting of the members of the American Bankers Association in Maine the following officers were elected: Member Executive Council, F. W. Adams, Cashier of the Merchants National Bank, Bangor; Vice-President for Maine, S. C. Parcher, President of the Saco & Biddeford Savings Institution, Saco; member Nominating Committee, Sewall D. Maddocks, Cashier First National Bank, Boothbay Harbor; alternate, Sumner C. Parcher.

SOUTH DAKOTANS ENJOY SESSION AT DEADWOOD

The annual convention of the South Dakota Bankers Association was held June 25 and 26 at Deadwood. Besides hearing speakers of the first rank, the delegates were hospitably entertained by the local bankers and business men. Auto rides, a smoker, reception and ball, etc., all combined to make the gathering a pleasant one.

On the program were: Theodore Wold, Governor Federal Reserve Bank of Minneapolis; Dean McCusick, of the Law Department of the State University, "Negotiable Instruments Law and Its Effect on South Dakota Commercial Paper"; B. A. Ruffin, Secretary of the A. B. A. Insurance Committee, "Bank Burglary and Fidelity Insurance"; Hon. Frank Sanford, of Rogers, N. D., "Farm Accounting;" William J. Burns, of the William J. Burns International Detective Agency; Hon. W. L. Wingfield, Public Examiner, "Gurantee of Deposits Law."

The officers elected follow: President, N. E. Franklin, President First National Bank, Deadwood; Vice-President, J. B. Lambertson, Cashier Sioux Falls Savings Bank, Sioux Falls; Secretary, J. E. Platt, President Security Bank, Clark (re-elected); Treasurer, R. E. Cone, President James Valley Bank, Huron.

The members of the American Bankers Association in South Dakota held a meeting at which the following officers were elected: Vice-President for South Dakota, C. H. Barrett, President Vermilion National Bank, Vermilion; member Nominating Committee, William J. Ontjes, President Sioux Falls National Bank, Sioux Falls; alternate, J. E. Platt, President Security Bank, Clark.

SOUTH CAROLINA BANKERS MEET AT ISLE OF PALMS

The South Carolina Bankers Association held its annual convention June 15 and 16 at the Isle of Palms. The delegates enjoyed an excellent program, including addresses by W. P. G. Harding, of the Federal Reserve Board; Congressman A. F. Lever, of South Carolina; Dr. C. J. Owen, of the Southern Commercial Congress, and Dr. W. W. Long, State Farm Demonstration Agent, Clemson College, S. C. President C. J. Shannon in his annual address recommended a realignment of groups to conform to the Congressional districts, reducing the number of groups from eight to seven. He also recommended that a strong effort be made to correct the discrimination against banks in tax assessments.

The officers elected for the current year are as follows: President, John W. Simpson, Vice-President Central National Bank, Spartanburg; Vice-President,

Ira B. Dunlap, Vice-President and Cashier First Trust & Savings Bank, Rock Hill; Secretary-Treasurer, Julien C. Rogers, Cashier First National Bank, Florence.

A meeting of the members of the American Bankers Association in South Carolina was held and the following officers elected: Vice-President for South Carolina, E. P. Grice, Cashier Peoples National Bank, Charleston; member Nominating Committee, Bright Williamson, President Bank of Darlington, Darlington.

VIRGINIA BANKERS MEET AT OLD POINT COMFORT

A good attendance and a good time marked the twenty-second annual convention of the Virginia Bankers Association, held June 17, 18 and 19 at Old Point Comfort. The Federal Reserve Act was featured on the program in an address by Federal Reserve Agent William Ingle, of the Federal Reserve Board of Atlanta, while other important addresses were given by Hon. John Burke, Treasurer of the United States, on "Business and the Law;" W. P. Hamilton, editor of the "Wall Street Journal," on "Wall Street and the South," and Dr. Bradford Knapp, of the United States Department of Agriculture, on "Relation of Bankers and Other Business Interests to the Farmer."

President W. B. Vest called the convention to order and spoke of the necessity for uniformity of action in promoting the general welfare of banking institutions.

Talks were given on "The American Institute of Banking," by Warren M. Goddard, former President Richmond Chapter; "Country Banks and Reserves," by C. L. King, President First National Bank of Pearisburg; "Trust Companies," by Herbert W. Jackson. President Virginia Trust Company of Richmond; "Co-operation Between the Banker and the Farmer," by Norman H. Williams, President First National Bank of Chase City. The newly elected officers are:

President, C. E. Tiffany, President Fauquier National Bank, Warrenton; Vice-President, E. B. Spencer, Cashier National Exchange Bank, Roanoke; Secretary, Walker Scott, Cashier Planters Bank of Farmville (re-elected); Treasurer, Julien H. Hill, Cashier National State & City Bank, Richmond (re-elected).

The members of the American Bankers Association in Virginia held a meeting at which the following ofcers were elected: Vice-President for Virginia, W. B. Vest, Cashier Citizens & Marine Bank, Newport News; member Nominating Committee, Thomas B. McAdams, Vice-President and Cashier Merchants National Bank, Richmond; alternate, G. E. Vaughn, Vice-President Peoples National Bank, Lynchburg.

It was decided to send a letter to Comptroller Williams expressing the "confidence of the Virginia Bankers Association in the fidelity, intelligence and good faith of the Comptroller in his desires to carry out the laws governing his department."

ILLINOIS GROUP MEETINGS

"The Illinois Bankers Association is inviting all interests to join in organizing a State-wide movement for co-operation between the town and country forces in each community to advance farm and business prosperity and insure living conditions adequate to realize the highest ideals for the people of Illinois. It advocates community action based upon a survey of local conditions and the advice of specialists to secure the maximum of efficiency."

The ideals of the Illinois bankers, thus eloquently expressed, animated the group meetings held during the latter part of May and the first week in June at Carmi, Charleston, Sparta, Ashland, Ottawa, Carlinville, Galena, Galesburg and Wheaton. Dr. R. E. Hierougmous, Community Adviser of the University of Illinois, spoke at all the meetings on "The Illinois Way" and made a profound impression everywhere. Colonel J. S. Aisthorpe, President of the Association, covered the circuit and divided with Dr. Hierougmous the honor of effective speechmaking. Both of these gentlemen were guests of the Rainbow Club in the tour of the State in a special Pullman car in charge of Secretary Richard L. Crampton, who added new laurels to his established reputation for originality and courtesy. Other speakers at various group meetings were Governor Dunne, E. D. Hulbert, John J. Arnold, Charles R. McKay, William McC. Martin, Richard Henry Little, of the Chicago "Herald"; William G. Edens and various officers and members of the several groups. George E. Allen and O. Howard Wolfe, of the American Institute of Banking, also spoke. The attendance and interest at all the meetings were better than ever before in the history of the Illinois Association, which is saying a great deal.

CONVENTION CALENDAR

July	14-15	Wisconsin	Milwaukee
"	15-16	West Virginia	White Sulphur Springs
"	27-29	Michigan	Grand Rapids
Aug.	16	Vermont (Summer meeting)	Barre
"	18-19	Colorado	Greeley
"	18-20	Am. Inst. of Banking	San Francisco, Cal.
"	31-Sept. 1	Wyoming	Casper
Sept.	3-4	Montana	Glacier National Park
"	6-7	Washington	Seattle
"	6-10	Amer. Bankers Assn	Seattle, Wash.
"	20-22	Investment Bankers Assn	Denver, Col.
Oct.	6-7	Kentucky	Frankfort
"	12-13	Indiana	Indianapolis
"	14-15	Illinois	Joliet
"	——	New Mexico	Roswell
Date not decided.		Arizona	Castle Hot Springs
Date not decided.		National Association of Bank Supervisors	Olympia, Wash.
Date not decided.		Farm Mortgage Bankers Association	St. Louis, Mo.

BULLETIN

OF THE

AMERICAN INSTITUTE OF BANKING

FORUM OF THE INSTITUTE

THE A. B. A. AND THE INSTITUTE

Relationship between the American Bankers Association and the American Institute of Banking Section and the circumstances that led up to it—published by request.

The existing relationship between the American Bankers Association and the American Institute of Banking Section was first formally broached in a talk by Lewis E. Pierson, when President of the Association, at a meeting of New York Chapter. Mr. Pierson said:

"In the few years which have followed the establishment by the American Bankers Association of the Institute of Banking the work of the Institute has rapidly developed, and its influence each year has become more potent in the country's banking. The training received through Chapter and correspondence work is bringing into banking throughout the country more expert knowledge, not alone upon matters of detail but upon the science of banking, so that the time is coming when the management of our banking institutions will finally rest in the hands of officers trained both in the technique and the science of their profession. It is to be regretted, however, that busy bank officers, generally speaking, are not informed as to the value of your work and its growing influence; a condition that should be corrected so that your progress in educating yourselves in your chosen profession can be better known and understood, in order that your value may be better appreciated and opportunities for further advancement more speedily developed.

"Your Institute BULLETIN has grown into a splendid organ, recording each month the great work now going on in Chapters throughout the country; but its circulation is limited to your own membership, and the suggestion has been made by some Institute men that it would prove a mutual advantage to find a way whereby your BULLETIN and the JOURNAL of the American Bankers Association might be combined into one publication. They each now have a circulation of about 11,000, and if under one cover the readers of the BULLETIN could observe the contents of the JOURNAL, and the readers of the JOURNAL, who are officers of your own banks, could observe the contents of the BULLETIN, there would be for both a banking magazine free from advertising matter and replete with concrete banking and Institute information valuable to all engaged in our profession. I think I am safe in saying that if your Institute cared to take this matter up with the idea that in the future, as in the past, Institute matter should be edited by Institute men and Association matter by the General Secretary of our Association, and bring a plan to the attention of the American Bankers Association, the officers of that Association would be glad to enter into the spirit of such a proposition."

In accordance with the suggestions of Mr. Pierson, the Executive Council of the Institute submitted to the Executive Council of the Association the following report:

"The work of the American Institute of Banking is appreciated wherever known and understood, but thus far more progress has been made in large cities than elsewhere. As the educational facilities of the Institute are adapted to country as well as city circumstances, the limited progress outside of Chapter

cities seems to be due largely, if not wholly, to lack of publicity. To meet such conditions the Executive Council of the Institute believes that some means should be devised whereby members of the American Bankers Association and the members of the American Institute of Banking should be mutually more fully informed regarding the affairs of both organizations. Furthermore, it seems equitable that all members of the American Bankers Association should have the benefit of such educational facilities as the Institute provides in the form of special tuition fees for study courses, which fees the Institute is arranging to still further reduce.

"To accomplish such objects the Executive Council of the Institute recommends the consolidation of the JOURNAL of the American Bankers Association and the BULLETIN of the American Institute of Banking into a joint publication containing the features of both periodicals as now conducted. To offset the loss of BULLETIN subscriptions among bankers who would receive the combined publication in connection with their membership in the American Bankers Association, and at the same time bring country banks and their employes into closer relationship with the Institute, the Executive Council of the Institute further recommends that all institutions that are members of the American Bankers Association should be made associate members of the Institute. The payment by the Association to the Institute of suitable dues for associate Institute members so constituted would put the Institute upon a more definite financial basis and enable the Association to give additional privileges to its members. In accordance with the foregoing plan, it is recommended that the Executive Council of the Association adopt the following resolutions:

"'Resolved, That the consolidation of the JOURNAL of the American Bankers Association and the BULLETIN of the American Institute of Banking into a joint publication, retaining the features of both periodicals as now conducted, be and hereby is recommended, provided that editorial and financial details can be satisfactorily arranged.

"'Resolved, That if the Institute will accept as Institute associate members all members of the American Bankers Association, the Association will pay to the Institute in monthly instalments annual dues of 75 cents for each Institute associate member so constituted, in lieu of the annual appropriation heretofore made by the Association for Institute purposes.

"'Resolved, That the subject matter of the foregoing resolutions be and hereby is referred to the Institute Committee in conjunction with the officers of the Association, with power to arrange details.'"

The report of the Executive Council of the Institute thus submitted was approved by the Executive Council of the American Bankers Association and the resolutions therein contained adopted. The arrangement was completed by the mutual adoption of the following resolutions:

"Resolved, That the name of the consolidated periodical shall be JOURNAL OF THE AMERICAN BANKERS ASSOCIATION, INCLUDING THE BULLETIN OF THE A. I. B.

"Resolved, That upon the consolidation of the JOURNAL and the BULLETIN into a joint publication as heretofore provided, the policy of the BULLETIN, editorially and otherwise, and the subject matter contained therein, shall be under the control and direction of the Executive Council of the American Institute of Banking Section of the American Bankers Association.

"Resolved, That the Institute shall pay fifty cents a year to the American Bankers Association for such annual subscriptions to the consolidated publication as the Institute may order, provided that the Association shall fulfil all prepaid unexpired subscriptions to the BULLETIN."

DEPOSITS OF UNITED STATES BONDS.

Are national banks obliged to deposit with the Treasurer of the United States an amount of United States bonds, regardless of the amount of circulating notes that they may be authorized to issue?

The National Bank Act required all National banks to purchase and deposit United States bonds equal to one-quarter the amount of their capital stock. Banks having more than $150,000 capital were required to deposit a minimum of $50,000 United States bonds. This obligation held regardless of whether the bank issued circulation or not, and there are one or two banks that did so deposit bonds without taking out any circulation. The Federal Reserve Act has repealed this part of the National Bank Act, although if any National bank now organized wishes to issue circulating notes it will be necessary for it to deposit an equal amount of bonds, not to exceed the amount of the capital stock.

BANK EARNINGS.

What items are used to make up a statement of dividends and earnings of a national bank?

This is a question in accounting, and the answer would depend upon the individual bank under consideration. Some few banks, especially if small, put all their income into one item, which is listed simply as profit and loss account. Well organized and conducted institutions, however, keep each item of earnings separate, as for example, discount, exchange, interest on balances, etc. Large banks may have additional sources of income, as for instance, foreign exchange department, bond department, safety deposit boxes, etc. At fixed periods, say twice yearly, all these

items may be lumped into one sum, expenses for the period are deducted and the resulting balance may then be credited to dividend account, surplus or undivided profits.

FIGURING INTEREST.

Illustrate how interest is figured on daily balances. Are there any general rules?

There is no fixed method of calculation, although some clearing house associations regulate general methods to be followed in estimating the interest-bearing balance. The general practice among commercial banks is to deduct from the balance at the opening of business all checks presented that day and also (in most well-conducted banks) that part of the balance which is represented by outstanding items. The daily amount of such items and the time outstanding is furnished either by the transit or the analysis department. Interest is then allowed on the remainder. The theory is that the customer is not entitled to any interest on money which is not available for loans.

ALDRICH-VREELAND CURRENCY.

What other securities, save government bonds, will serve as deposits to secure circulation?

It is useless to answer this question in full, because by the time this issue of the JOURNAL-BULLETIN is in print the Aldrich-Vreeland amendment to the National Bank Act providing for "emergency currency" will have expired by limitation.

INSTITUTE DEVELOPMENT

By Harold S. Schultz

In this modern day and age it would not be deemed possible to attain success in any of the major professions—law, medicine or engineering—without special instruction and scientific preparation. This has been a principle recognized for a considerable length of time, but rather strangely it has not until recently been extended to the great profession of banking which has been considered more as a business and has expanded principally because of practical lessons learned from daily work, with but very little theoretical study. Not until recently have the enormous possibilities of credit expansion and the wide distribution of the world's increasing wealth borne in upon men's minds the realization that banking is probably one of the greatest powers for civilization to-day, and that it is a profession of the highest calling, the preparation for which cannot be too strongly emphasized.

The great colleges of our country have established in conjunction with their other courses special forums designed for the particular purpose of training men to understand the principles of financial control. Schools of accounting at which are expounded the theories of the detail management of banking have been established, and a few of our larger banks are spending large sums yearly to fit their clerks for broader views and more intelligent work in their positions. However, this is only a beginning and the great body of clerks employed in our cities in smaller banks have little if any opportunity to avail themselves of this instruction. Nor have the majority of our banks the facilities to educate their own clerks. Therefore it is not at all surprising that there is at the present time a pressing demand for courses, which may be given after banking hours, and by means of which bank employes may receive that instruction which they must have before they can progress properly.

The American Institute of Banking attempts to fulfill this demand. In the various cities of the United States Chapters are established to foster its purpose, and New York Chapter, naturally the largest, is simply one of these Chapters. In its inception the organization of near-by Chapters was of a fraternal nature, and lectures on various topics of current interest were delivered to the members. As the membership grew the demand for systematic courses of study increased to such an extent that now it has become necessary to standardize the work and make it of more permanent nature. Thoroughly trained instructors must be obtained and a certain amount of discipline exercised over those in attendance in order to reach any sort of proficient results. The organization rather than being a fraternal body is now an institution of learning and compares in many ways with other educational institutions of the country. To do the most good, its instruction must be as nearly free from expense to the student as possible, and rather than being simply a membership organization it must be known as an institution at which all bank men may receive the preparation which they need to keep up with the rapid advance of banking ideas.

The Federal Reserve System as Seen by a Practical Banker

A Thoughtful Talk to San Francisco Chapter on the Fluctuation of Discount Rates—Protection in Times of Stringency—Problems of Operation—Reserve Bank Expenses.

BY F. L. LIPMAN
Vice-President Wells Fargo-Nevada National Bank of San Francisco

AFTER long discussion the Federal Reserve Act was passed by Congress in December, 1913. It encountered a variety of opinion according as one or another feature was contemplated, as was natural in the case of a piece of legislation of such complexity and scope. Among bankers, perhaps the majority throughout the country, centering their view upon details which appeared objectionable, were hostile to the Act, as they had been during the months in which the measure was under consideration in Congress. At their meeting in the Fall of 1913 the American Bankers Association received the report of its special committee on the then pending Federal Reserve bill, which report was adopted as the sense of the meeting. They criticised the measure on grounds which appeared to them to be fundamental:

1. That the contribution of capital by the National banks was made compulsory. This they declared to be of doubtful constitutionality, a serious step toward socialism.

2. That the Federal Reserve Board, which would manage and control the Federal Reserve Banks, would be politically appointed and that the bank members of the system would have practically no voice in its policy.

3. That the bill made the new Federal Reserve notes an obligation of the United States.

4. That the banks ought to be allowed to continue carrying a portion of their reserve with other banks in reserve cities instead of being obliged to place all such reserves with the Federal Reserve Banks.

Quoting from the committee's report: "The bill in its present form imposes unwise hardships upon the banks and equally unwise hardships upon the general public."

Subsequently when the Act was passed without any material alteration of these provisions the feeling of dissatisfaction in some quarters was bitter. "It is the most outrageous piece of legislation ever passed by Congress," said one prominent banker, and this was doubtless the opinion of many. A few only seemed to recognize in the Act its underlying principles, through adopting which the United States would follow precedents which had become fully established in banking and finance by the well-tried and successful experience of other civilized countries. The error lay in placing the stress in the wrong place, mistaking the superficial for the essential and vice versa. To-day, more than a year from the passage of the Act, a leading banker writes: "The Federal Reserve Act marks the greatest step forward this country has ever made in its financial advancement. While it leaves much to be desired and will undoubtedly be subjected to several revisions, it remains the greatest constructive measure Congress has given us in many, many years." And this is doubtless the general view now held by bankers throughout the country.

Fluctuations of Discount Rates

Banking is pre-eminently a business of free competition on the side of both borrower and lender, and this fact tends, above all, to bring its prices, that is the rates for money, into harmony with actual fundamental conditions and to do so with a high degree of accuracy. These conditions will vary widely from time to time, and the rates will fluctuate accordingly. In periods of stringency the public may not perceive the justification for a high rate and may believe that the banks are arbitrarily charging for money more than it is worth. We even hear occasionally of a "money trust"—that terrible bugaboo—existing to fatten upon the necessities of legitimate business. But every banker and every merchant knows that this is absurd, that competition in the field of commercial banking is so effective that combination to uphold rates is absolutely precluded. So we must not picture to ourselves the Federal Reserve Banks entering the field as a savior of business mankind to break down combinations heretofore maintained by banking interests. Nevertheless, there is an advantage to be derived from some regulation of the money market. In London the Bank of England fixes its discount rates from time to time so as most adequately to meet actual conditions, present and prospective. This rate often follows more or less closely the rates already prevalent in the money market. This is perhaps the normal condition, and the Bank of England rate may usually be regarded as merely recording the existing position of the money market. But occasionally the money market may not reflect all the influences that ought to be taken into account: It may be too much absorbed, as it were, in the immediate supply and demand to perceive events and conditions which are merely impending. And then the Bank of England may be found increasing—or,

more rarely, reducing—its rate to a point materially different from current quotations in the market. In such an event the market may have been right and the bank wrong, a question to be determined by the final effect on the market of the bank's rate. But normally the bank is likely to be correct in its forecast, because it is not merely the largest single factor in the market, but it is the only one engaged not merely for profit. The open market rate will usually follow the bank rate, indicating that the conditions assumed by the Bank of England are understood and acquiesced in by the London market. If, however, the market does not immediately respond to the bank's rate the bank will often seek to make its rate effective through the use of various technical banking devices aimed towards that end.

This is an instance of "regulating" the money market. Obviously, it is a process more or less artificial and, of course, is open to errors of judgment. Nevertheless, the factors entering into the money market are so complex and at times the matter is so important that it is advantageous that there should be some intelligent central authority watching these conditions and being prepared to influence rates that they may be corrected if from time to time they fail to reflect the various influences that should be taken into account. It is expected that the Federal Restrve Banks will discharge this function. To do so will require them, as the Federal Reserve Board says, to be present in the money market at all times. That they will be called upon for loans during stringency is self-evident, but they must also have some loaning business in an easy money market, otherwise they cannot regulate that money market except in one direction; that is to say, downward; for while they could then begin lending with the effect of making rates still lower, they could not influence rates upward through restricting their loans if they have no outstanding loans to restrict.

Here we must digress a moment to point out that extremely low rates for money are not an advantage even to borrowers. They occur when business is bad, when the lack of demand for trade purposes produces the effect of an over-supply. The rent of money, which we call interest or discount, has a price or rate which is based upon supply and demand, and which necessarily oscillates as demand and supply vary. The desideratum for all concerned is that the average level of interest rates should be low, and that the extreme of high rates and low rates should be kept within limits as narrow as possible. Therefore when we deprecate extremely low rates it is because they have the effect of reducing bank profits, but because from the standpoint of all concerned they are undesirable; they breed speculation, they tend to tie up funds in unwise investments, and generally have the result, when the pendulum is swung to the other extreme, of intensifying the stringency. When the Reserve banks are in full operation we can expect them to use their power of lending or restricting as a balance wheel, with the definite object of checking the abnormal in financial conditions at either extreme.

Functions in a Time of Stringency

It is evident, however, that the functions of the Reserve banks will be most characteristically carried on during a stringent money market rather than in one that is easy or redundant. Indeed, it is chiefly because a stringency in this country has heretofore tended to degenerate into a panic that the Reserve system was called into being.

Now what should be their attitude in a stringent money market? They should stand ready to discount good bills to any extent that they may be offered. If they find the demands upon them tend to go too far, they should restrict not by refusing to discount, but by raising their rate; a method which European experience shows is always effective. Good bills for the purposes of the Reserve banks have been defined generally by the Act. They consist of paper relating to business activities, to the production, distribution and consumption of commodities. They arise out of actual commercial transactions, and their proceeds have been used or are to be used for agricultural, industrial or commercial purposes. Obviously, such paper possesses fundamentally a liquid character, representing commodities on their road from production to consumption at some stage of their progress. Such a loan will naturally be paid from the proceeds of such commodity.

The purpose of the Act is to render such paper, and such paper only, available in the sense that commercial banks may freely take it for discount when and as the trade of the country requires, knowing that, if needed, they can always get back their money through rediscounting it at the Federal Reserve Bank.

Now there is other paper carried by the banks which is good in the sense that it will finally be paid; paper signed by men of means or secured by good stocks and bonds, or representing sound holdings of unencumbered real estate, etc., and some banks, perhaps, find their portfolios to contain chiefly paper of this class, and so they have little or nothing else to offer for rediscount, but the Federal Reserve System has no dealings with paper of this class, and from the nature of the case it could not have. Banks may be able to rediscount paper of this sort with their correspondents and other connections the same as they have always done, but not with the Federal Reserve Banks.

Liquid Loans Essential

The distinction is accordingly to be made between two kinds of good paper:

1. That which is good.
2. That which is good and liquid.

This distinction is fundamental in banking and should always be kept in mind. It is one that is recognized, at least as a theory, by bankers universally. But as long as banking is a free occupation there will be some entering it who do not fully understand its basic principles. They may be men experienced in trade or

other pursuits; if so, that experience, or their natural caution as business men, will have taught them to emphasize the importance of safety in their credit risks and they will be prone thus to concentrate all their attention upon ultimate collectibility. There is no principle of banking so often neglected, and so likely to be, as convertibility, the requirement that bank loans should be liquid. This requirement is not arbitrary, of course; it is due to the essential character of a business which undertakes to carry heavy liabilities payable on demand, and must therefore possess a controllable stream of incoming payments with which to meet the fluctuations of such demand.

But there are causes other than ignorance leading to the neglect of this principle. In some localities the banks find it difficult to make local loans of a really liquid character, the business in their neighborhood being of a type calling for advances for permanent rather than for temporary use. While this fact does not warrant the bank in entering the field of permanent loans, the temptation to do so may be great, enhanced as it will be by the banker's desire to accommodate his customers. Again, in country districts, loans made for the temporary purpose of growing a crop may become permanent if the crop should fail. And there is, furthermore, the not infrequent case where the farmer insists on holding his crop back from the market while prices fall, finally presenting the choice between a permanent loan and a loss.

Right in this connection we may expect the Federal Reserve Banks to exert a wholesome influence. Confining their discounts to paper of a really liquid character, they will constantly emphasize the distinction between such paper and other good loans, with the result, we may expect, that bankers throughout the entire country will be stimulated to regard this principle as its importance deserves. This will bring about an improvement, not only in the conditions of the banks but throughout our entire credit structure; for the banks will undoubtedly deal with their customers as they themselves are dealt with. We may expect that merchants will, in due time, feel the beneficial influence upon their collections and upon their terms, and possibly we may live to see the day when the man who undertakes to do a given thing will be expected and will expect himself to do that thing on the day appointed. And transactions which in the nature of the case are long-winded and uncertain will be differentiated from current transactions, being handled separately with the special attention they require. Particularly in the field of finance we can hope to see an end to the attempt to furnish permanent capital through short-time loans. All these are only tendencies, of course; we are not predicting the millennium.

We now come to the interesting question of country checks. It is among the activities of the Federal Reserve Banks which they have not as yet undertaken, but is one of the most important and practically one of the most difficult. The out-of-town check problem has been a serious one for many years, growing worse all the time with the expansion and increasing complexity of business.

Problem of the Country Check

The custom of sending one's local clerk to a distant city in payment of a debt has become fully established, in spite of many efforts to discourage it; the country check has evidently come to stay. Hence, the banks receive on deposit daily a multitude of these checks. Few realize the dimensions attained by this problem. In San Francisco, for instance, there must be not less than 25,000 or 30,000 checks deposited each day payable in other cities. These checks must be segregated and listed or recorded and mailed with letters written to accompany them to correspondent banks in the cities where payable, or in some center accessible thereto. In due time the proceeds will be received in a draft or the equivalent, from which the correspondent will often have deducted a charge for services, and the draft so received must be entered as payment against the numerous items it may cover, etc. This is expensive in both labor and money. It involves clerical work, stationery, exchange, postage and interest on the outstanding volume in transit. The Act attacks this problem with a provision based upon the fact that all National banks in any given district are members and depositors of the Federal Reserve Bank in that district. It authorizes the Reserve banks to accept on deposit from member banks checks drawn upon any other member bank. Apparently the idea is to "clear" the checks, that is, to charge them to the account of the banks on which they are drawn, mailing them in due course to such banks. Nothing would appear to be simpler; instead of following the cumbersome method hitherto in vogue a National bank would merely turn over to the Federal Reserve Bank the country checks received on deposit each day, at least those payable in the same district, which would ordinarily include much the greater number. Checks on cities in other districts could be forwarded to a correspondent in each district to be deposited in the Reserve Bank of that district. And rather simple it would be were it not for the immense volume of items. Consider the situation of the Federal Reserve Bank of San Francisco with checks pouring in each day from banks all over the district, including 25,000 items from San Francisco alone. Evidently a serious congestion would take place. It would be like collecting numerous streams of storm waters into a raging torrent. And, after all, much of the present labor performed by the National banks would still have to be carried on. They would still be obliged to list or record the checks before depositing with the Federal Reserve Bank, while the latter would have to enter and record the same checks over again. However, to mention this difficulty is not to say that it is necessarily insurmountable. The question is now being studied and perhaps a solution may be found which

will enable the Reserve banks to furnish these facilities under conditions that would be practicable. Besides these difficulties due to mere volume there are other debatable questions. For instance, when should the Reserve bank give credit for out-of-town checks received on deposit? If immediately, the depositing bank could use as cash reserve a lot of checks in transit, and this evidently would be open to abuse. If credit should be withheld until the items were actually paid the work of the Federal Reserve Bank in handling the checks would be doubled, for they would thus not only have to keep track of thousands of items when received, but would have to see that appropriate credit was given when they were paid. This phase of the question is also under consideration, one of the solutions proposed being that a district should be divided into zones in accordance with distances from the Reserve bank. For checks in the first zone the depositing bank would take credit two days later; in the next zone three days later, etc.

Another question is the cost of handling checks. This, however, is now pretty well understood. The Act provides that the Reserve bank shall receive these checks at par, and this is interpreted as meaning that although they may not charge for exchange, they can charge for the cost of collecting. It is understood to be the intention of the Restrve bank to charge these expenses at so much per item, regardless of the amount, thereby recognizing the undoubted fact that it costs as much to handle a $5 check as a $5,000 check. What is true of San Francisco banks in this connection applies, of course, to banks in other financial centers containing a Federal Reserve Bank, and later will apply to banks in cities where branches of Reserve banks may be established. Banks situated in the country, however, will be affected somewhat less by this activity of the Reserve system because they have always been accustomed to sending their out-of-town checks by mail to some central correspondent, and sending such checks or some of them to the Reserve bank would not involve any material change in their practise.

Domestic Exchange Problem

Domestic exchange, in some sense, is a phase of the out-of-town check question, but it has peculiarities and problems of its own. Between any two sections of the United States having business relations with each other there is not likely to be at any moment of time an exact offset between amounts due by point A to point B or by point B to point A. If the excess due one point by the other is relatively small its settlement may be, and probably will be, deferred. But there are times when the balance due in either direction may become so considerable as to require the actual shipment of money. A striking instance of this is seen in connection with the movement of the crops. To facilitate this movement the banks throughout the country find it necessary to draw heavily on their deposits in New York and on other centers, causing a movement of cash in the one direction, and after the conclusion of the crop movement the money tends to flow back. Between most parts of the United States these cash movements throughout the year tried to equalize the offset. The Federal Reserve Act intended that the Reserve banks should furnish facilities for handling domestic exchange to the end of reducing expense and of avoiding, if possible, or as far as possible, the actual shipment of money. Between New York and Chicago, for instance, it was contemplated that if at one season of the year Chicago should have occasion to remit funds to New York this might be done by checks on the Federal Reserve Bank of Chicago, such checks being received on deposit by the Federal Reserve Bank in New York. The Chicago Reserve bank would then owe the New York Reserve bank the aggregate volume of such checks. Later, when the movement should run in the opposite direction, the transaction would be reversed. Assuming that the two opposite volumes of payments would coincide in amount, these transactions between the two Reserve banks would thus offset without the shipment of coin. It is obvious that the amount of such payments running in one direction might at some time cause one of the Reserve banks to be indebted to another Reserve bank to an extent which would exceed the convenience of the two banks, and in that case the actual payment of gold or currency might have to take place. But evidently, even in that case, the shipment of gold would tend to be considerably less than at the present time, when many institutions in the two cities are engaged in the transactions of their own customers, the settlement for which must practically be immediate. Early in December last the Federal Reserve Banks concluded that they could undertake this function and gave notice that they would be ready to receive on deposit checks drawn on any other Federal Reserve Bank. But this has already given rise to complications and perhaps to some abuse, or at least advantage has been taken by the facility to an extent which has proven more or less inconvenient for some of the Reserve banks, and they have felt it necessary to place obstacles in the way of a free use of these facilities.

There are, however, some cases where the natural conditions make these problems still more difficult. Between New York and San Francisco, for instance, there is a movement of money going on in the two directions during the year which, however, in the aggregate, does not offset. San Francisco is the center of a mining area, the gold, when produced, being minted at San Francisco, and in due course most of it reaches the banks there. In the nature of the case this gold must finally be distributed through the business world. In other words, gold is one of California's products which is not for the exclusive use or consumption of California, but to form a part of the gold stock of the civilized world. Hence, gold normally tends to move from San Francisco to New York, and during the year there will be large excess of the movement in that

direction. Formerly when the time came during the year for San Francisco to ship gold to New York (meaning by that when the time arrived when the payment between the two cities required the actual shipment of gold) New York exchange would be quoted at increasing premium, and when this reached the point equal to the cost of shipping gold the gold would be shipped and would continue to be shipped until the necessary volume of gold had been sent. Then the exchange rate would tend to fall to some point below the cost of shipping. In recent years, however, the United States Treasury has absorbed much of this responsibility, the mint or sub-treasury issuing drafts or gold certificates payable in New York in return for gold deposited here. The result of this is, on the one hand, to prevent New York exchange reaching any considerable premium, and, on the other hand, it has collected gold in large quantities in the mint and sub-treasury at San Francisco. From time to time the Treasury Department finds it necessary to ship large quantities of gold from San Francisco to Eastern points. It will thus be noted that the responsibility for distributing our gold production has been assumed by the United States Treasury. Now comes the Federal Reserve System endeavoring to bring the whole country to a par basis, including the exchange running between San Francisco and New York. It is evidently impossible to do this except under one of the following conditions:

1. That the Reserve banks will deal with New York exchange in the same way as the other San Francisco banks have always been obliged to do, utilizing the drafts or gold certificates issued by the Treasury Department, or

2. That they will permit large balances to accrue due from the San Francisco Reserve bank to the New York Reserve bank on the theory that practically the effect of such balances is negligible.

The Federal Reserve Board will naturally aim to carry out the policy of the Act by furnishing facilities for handling checks wherever payable, to the end that they may be made fully available. This is accomplished by the central banks in other countries to the great advantage of merchants and all persons having transactions with cities and towns other than their own. But it is equally plain that the enormous extent of our country, the characteristically different products and conditions in the various sections, make this a matter by no means simple. And so in the case of domestic exchange as well as that of the direction of country checks, there are difficult problems yet to be solved.

Reserve Bank Expenses and Dividends

We should refer briefly to the fear occasionally expressed that the Reserve banks will not earn their expenses and dividends. Naturally, any new enterprise is expected to require a period of time after its establishment before it will become profitable. It is certainly not usual to feel disappointed in such a case if the young business has not become a dividend payer at the age of three or four months. Here, however, we have an institution to be contrasted with almost any other in that its main purpose is something other than the earning of dividend. Nevertheless, there can be little ground for fears in this connection. With their enormous deposit line, so large in proportion to capital, and enjoyed without payment of interest, directly or indirectly, the Reserve banks will be obliged to use only a very small part of their aggregate funds in order to earn expenses and dividends. One can estimate that the loan and investment of an amount equal to their capital and only twenty-five per cent. of their deposits would fully cover exepense and dividend requirements. They have already made loans and investments nearly equal to their capital and are, of course, proceeding cautiously.

Another activity of the Federal Reserve Bank which has not yet been undertaken is the establishment of branch banks throughout the respective districts. The sooner this is done the better.

In the meantime the Reserve banks can fulfil their most important functions, those that have the greatest bearing on the affairs of other bankers and business men. As long as these are cared for the matter of country checks, of domestic exchange, of branch banks, etc., can be regarded relatively as matters of detail which, however important, can wait if necessary. For we now have a completely organized banking system. What this will mean for this country in the future it is impossible to estimate. The Reserve system furnishes that which has hitherto been lacking in our banking and finance, viz., elasticity, adaptability to meet the changing conditions of business. This is accomplished, first, through the mobilization of bank reserves, which are placed in a common reservoir for the general benefit of the banks and the public. So arranged they will meet actual needs as they arise; they will not be hoarded to the detriment of the whole community, because with reserves always available there will be no object in hoarding. Second, an elastic circulation is furnished by the Reserve banks. This means that there will always be enough cash for every legitimate purpose, and so the nervous bank depositor need not hurry to draw out his balances for fear that the supply of money may become exhausted. Third, the rediscount facilities of the Reserve banks will assure the business public that the funds necessary for legitimate trade, for the production and distribution of commodities, will always be forthcoming. In the future, as in the past, there will doubtless be the same fluctuations of supply and demand; the price of money, like that of other goods, will vary from time to time; we shall even encounter periods of relative stringency. But stringency will no longer threaten to grow into a money panic and, although bankers and business men must still use prudence in their affairs or suffer the consequences, the paralyzing fear of disaster through a general collapse of the country's finances should be gone forever.

Building a Bank's Business Through Modern Publicity Methods

Importance of the Various Factors Such as Character, Strength, Service, Etc.—Points in an Address Before Baltimore Chapter of the American Institute of Banking.

BY FRED W. ELLSWORTH
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NO man who has red blood in his veins is content to have his business remain at a standstill. Especially is this true of the banker. He must needs publish to the world four or five times a year a statement showing the exact condition of his institution, and it is but natural, therefore, that he should want to be able to show continuous growth. In order to attract and deserve new business a bank must possess certain fundamentals which will inspire confidence. For without the confidence of the community no bank can hope to grow; indeed, but for this state of mind known as "confidence" there would be no banking business.

Character

The first of these fundamentals I would say is *character*. There is unquestionably a higher standard demanded of bank officers and directors than of practically any other class of business men. The banker is the guardian of the people's money, and as such guardian he must be a man of exemplary habits, absolute integrity and sound judgment. A bank which is managed by men of this character is possessed of at least one of the fundamentals which inspire confidence and attract business.

Strength

The second of these fundamentals is *strength*. The prospective customer does not care to place his funds in a bank concerning whose standing there is the slightest doubt. The principal thing which governs his choice of a bank is the assurance that he can secure his money when and as he asks for it, and he does not want to be troubled by any worry as to its immediate or ultimate safety.

How to Increase Business

Now, given a bank with these two essentials—strength and character—how shall we go at it to increase its business? In the first place, it is morally certain that not very much new business will come without some form of urging. There is keen competition among the banks to-day, quite as much as in any other line, but in spite of this competition it is to the everlasting credit of the banks that, as a class, they seek and secure business on an absolutely clean basis. The stockholders of a bank should be the very first ones to interest themselves in securing business for their institution. Much also depends upon the efficiency of bank directors and officers. The satisfied customers of a bank can be influenced to produce a gratifying amount of new business. The trite saying that "a satisfied customer is the best advertisement" applies to a bank with greater significance perhaps than to any other department of human endeavor.

Bank Clerks

The old recipe for chicken pot-pie starts out with the specification: "First catch your chicken." In securing business from satisfied customers it is first necessary to catch your customer and then satisfy him. This can be accomplished by courteous, prompt, intelligent, agreeable service. A very large percentage of a bank's new business comes through personal acquaintance, either that of an officer, or a director, or a customer, or a bank employe, and it is absolutely necessary, therefore, that everybody in the bank, from the president to the humblest bell boy, should be pleasant, courteous, ready always to give prompt service, and capable of doing the right thing at the right time. There is an old Arabic proverb which runs something like this:

"Men are four: He who knows not, and knows not that he knows not—he is a fool, shun him;

"He who knows not, and knows that he knows not—he is simple, teach him;

"He who knows, and knows not that he knows—he is asleep, wake him;

"And he who knows, and knows that he knows—he is wise, follow him."

In order that a bank's customers may become *satisfied* customers it is quite essential that as large a percentage as possible of the officers and clerical force be "men who know and know that they know."

New Business Department

Here we have then various means for increasing the business of the bank. We have the stockholders, the directors, the officers, the customers and clerks. Given, however, all of these excellent lodestones for attracting new business, no bank can secure through them the maximum of results unless there be a definite plan consistently operated.

This brings us logically to the consideration of a specific department which, for want of a better name, we may call the New Business Department. In the larger institutions this department may be of considerable scope, but no bank that desires to grow, no matter what its size, should be without some definite place where plans for securing new business may be crys-

tallized and where the opportunity for the largest possible result will obtain. Such a department may be, in the very smallest bank, the cashier with one or two of the directors, and in larger banks this New Business Committee, if you please, can be enlarged. The manifest duty of such a committee would be to receive and consider and act on all kinds, and conditions, and plans, and methods for legitimately building the business of the bank.

Advertising

But even with all of the means enumerated, plus the concentrated power of a New Business Department, the bank is not using all of its opportunity for growth if it does not make use of systematic, sensible advertising. One of the most wonderful organizations with which man is privileged to work is the human hand. The fingers, taken individually, are none of them very powerful, and even taken all together could not produce much damage, but when doubled up and bound together by the thumb into an aggressive fist they become quite formidable. The various means of securing business for a bank may be likened to the fingers of the hand. No one of them is as strong as all of them together, but even when taken as a unit they cannot approach their maximum strength unless bound together by the thumb, which we call "advertising." If a bank possesses the fundamental of strength and character, if it is located in a fine building, and has courteous and painstaking and intelligent employes, and is prepared to give agreeable service, but refrains from telling the people about these facilities, isn't that bank making the same mistake that the four fingers do wnen they try to produce results without the aid of the thumb?

Specific Publicity

I have no desire to inflict on you at this time a mass of details concerning the how, why and wherefore of bank advertising. As a matter of fact I feel very modest in the presence of the statement made recently by one of our largest national advertisers, who said: "No man has knowledge enough of advertising to make him bow-legged carrying it around." I do wish, however, to emphasize one point, and that is the need for *specific* publicity.

I think one great fault with much of the bank advertising to-day is that it is too general—it tries to cover too much ground. It tries to emulate the shotgun rather than the rifle. A rifle shot, if well aimed, will accomplish just exactly what is intended for it, while a gun shot will spatter around over considerable territory, doing small damage to anything in particular. Specific advertising, if followed out consistently and persistently and continually, month after month and year after year, and if it is based on the fundamentals to which we have already referred, cannot fail to bring business. Sometimes it seems to come slowly, but in the long run it surely accomplishes results.

Letting Light Shine

There are comparatively few banks in our country to-day that do not possess strength and character. A portion of these banks are making their facilities known to the public by means of advertising and are experiencing more or less development and growth. Such of the others as are hiding their lamp under a bushel, because ethically opposed to advertising, will not be able to attain their maximum growth until they have brought their candle out into the open, until—if I may be permitted to change the figure—they have bound together the various fingers of the hand by the strong, effective thumb of advertising. When they have done this they will have fortified themselves against commercial mildew and will have prepared themselves for successful, aggressive action in building up the bank's business.

A BOOK OF FACTS FOR EVERY BANKER

Nothing is more practical than correct theory properly presented and no banker is practical who does not understand the theory as well as the practise of his vocation. Both can be acquired by experience, but the advantages of knowing what has been the experience of other bankers can be had only by study. The difficulty with most books on banking is that they are not adapted to the use of those just beginning the business.

"Elementary Banking" published by the Correspondence Chapter of the American Institute of Banking is not an ordinary text-book written, as the title might suggest, in kindergarten style. It was prepared to meet a specific need, to help young men new to banking as well as older men who have neglected the fundamentals. It was written by O. Howard Wolfe, Assistant Cashier of the Philadelphia National Bank, who has had a wide experience in banking to which has been added four years of banking educational work as Assistant Educational Director of the Institute. While with the Institute Mr. Wolfe acted in the capacity of examiner for the Correspondence Chapter, and the thousands of examinations which he conducted have given him a unique knowledge of the educational needs of young bankers.

The book is short and concise, consisting of but 100 pages, well printed and handsomely bound in cloth. It may be had for one dollar, New York funds, or in lots of ten or more to banks that are members of the American Bankers Association, or to chapters of the Institute, at ten per cent. reduction. Address Correspondence Chapter, American Institute of Banking, Five Nassau Street, New York City.

South American Trade and Establishment of Dollar Credits

Our Present Opportunities Involve the Necessity of Making Good Both in Products Sold and in Character of Men Sent to South America—Synopsis of Address at Annual Banquet of Buffalo Chapter, American Institute of Banking.

BY JAMES H. PERKINS

Vice-President National City Bank of New York

WHAT do we mean by "dollar credits?" The answer to that question is broad and leads in many directions. The term "dollar credits" means the place which the United States is going to take in international trade and finance in the future. Up to the present time dollar credits have been practically unknown in international trade. The medium of exchange which the world has used has been the pound sterling. When the war broke out in Europe last Summer the financial institutions of Europe were necessarily strained to the utmost to take care of the crisis which was brought about by that war, and it offered an opportunity for the banks of the United States to step into the international field and take advantage of the provisions of the Federal Reserve Act which had just become effective. For the first time in the history of the world a large part of the coffee crop of Brazil was paid for in dollars; rubber was bought in Brazil in dollars; cocoa was bought all through South America in dollars; beef was bought in the Argentine in dollars, and some of our imports from Chili were bought in dollars.

Necessity of Making Good

It has been rather a favorite topic with the politician to talk about the place the United States was going to take in international finance. It is a splendid picture that can be drawn of the United States stepping out in the world and leading, with her great resources behind her, as the financial nation of the world; the United States is not going to step out into the world and immediately become the leading financial power of the world. The pound sterling is thoroughly entrenched as a medium of international exchange. The reason for this dates back for many years.

The Englishman, as you all know, began about the time of Sir Walter Raleigh, and has ever since continued to go to every corner of the earth and has traded in the markets of every corner of the earth. He has owned the greatest fleet of ships of any nation in the world. Those ships have been used to bring the products of all the nations to London as the trading center of the world. Any man here who has seen a copy of the London "Economist" knows that on the front page there are lists of auctions which are held on the London docks. Every conceivable product of the earth is traded in on the London docks; things of which you and I have never heard are traded in there every day. There is nothing on earth you cannot buy on the docks of London. England, as I say, got the start of the rest of the world in this business and has handed it down with the greatest skill and efficiency.

But a number of years ago Germany began to come into the market as an element in foreign commerce. She developed, as you all know, a wonderful system of efficient management, of efficiency in selling, in banking, etc. She has been trying for years to replace the pound sterling as a medium of international exchange by the mark. It has not been done—the pound sterling still obtains. Therefore it is a mistake for us to draw a glowing picture of the place that the United States will take, or to draw a picture which we cannot really make good on.

Our Opportunity

This does not mean that we cannot enter into the field of foreign finance and trade and take our respective position there and have that position improved and increased as time goes on. For instance, during a year I believe about $80,000,000 worth of coffee is imported into the United States from Brazil. A large part of that coffee, if we handle it right, should be paid for in dollars. And so throughout the world, little by little, taking a bite here and a bite there, and handling it well, we can gradually encroach upon the territory which England has had largely to herself.

We are badly handicapped in many ways, however. We have been a nation that has been developing its own resources. We have been very busy with our own affairs. Internationally speaking, we are a provincial nation; we are not a nation that knows the foreign languages; we are not a nation that is educated in foreign commerce, foreign banking or in foreign trade. The best merchants of the United States, the best manufacturers of the United States, have been busy developing our own markets, and it is sad, but probably true, that the men who have represented us in other countries have held a much lower standard of trade morality than the men who have been the leaders in trade in this country. In other words, the name "Yankee," as "Yankee smartness," is a term that does not leave a good taste in the mouth of many of the other countries.

I have had called to my attention the fact that some of our merchants have gone to South America

and sold goods on sample; but when the goods reached South America they were not according to sample. There has been an effort to make money out of an individual transaction rather than an effort to build up a trade for the future. We have used it principally as a dumping ground, a place that was to be used when our own market would not take our product. Therefore in order to take a place which will coincide with our wealth and our standing in other ways we must develop along certain lines markedly. In the first place, we are going out now into the world to compete with the rest of the world in trade. In order to do that the efficiency of our organizations must be developed tremendously. We are not going to be protected by any tariff or any artificial structure in this competition. We are going out in to the open market of the world, and we must go out and sell there better goods or at a better price in order to hold that market.

Transportation and Capital

Again, we are absolutely without the means to transport our own goods. We have no merchant marine. If we go out into the markets of the world to-day to sell we must pay tribute to other nations in whose boats our goods are delivered. A merchant marine is probably one of the most important items which we must have if we are to develop as an international trading nation. Thirdly, we must be prepared to go out into the world and invest capital in other countries in order to obtain a control over their markets or an influence in their markets. To-day, for instance, the industries of the Argentine are entirely controlled by foreign capital—English, French and German capital, some Italian. What does that mean? Suppose that one of our manufacturing concerns goes to the Argentine and tries to sell steel rails, cars, something of that kind. The answer is, "We buy those from our own people. This road is owned by the English. We prefer to trade with our own people. You cannot get in." So it goes. We have got to invest capital in these foreign countries if we are to compete for their trade.

Lack of Efficient Men

The work which you men are doing here is one of the most important things which can be done in this line. It has been my fortune for the last year to spend a good deal of time in interviewing young men with a view to getting them to go to foreign countries to work. It is hard to find young men who are willing to pack their bags and go to the four corners of the world. They like their own country; they like their own customs; they like their homes; and they hate to go away. I do not blame them at all. But we must be willing to travel; we must be willing to go; we must be willing to compete on the same terms that the others are competing. Little by little—as the work which you are doing all tends to greater efficiency—as you begin to learn, all of us begin to learn the foreign languages, as we begin to learn the machinery of foreign exchange, as we begin to learn the trades of the different countries, what goes on here, what goes on there. Little by little, if we handle it right, we should become an element, and a growing element, in the trade of the world. That is largely what we mean by dollar credits. Dollar credits are the medium of exchange in international trade, and dollar credits will come when we are able to trade on an even basis, compete on an even basis with the rest of the world in the markets of the world; when we are able to deliver the goods in our own ships and when we are able to invest our surplus capital in the industries of the world.

Substantial Character

There is one thing that I wish to say that seems to me important—perhaps the most important thing that we should consider. In the first place, suppose that any concern in the United States wants to send a man to a foreign country to represent it there. You go from the home office, say six or seven thousand miles away. The first requisite is the character of the man that we send. It is absolutely impossible for this country to stand for anything unless the men of character will go into the foreign countries and there work. For instance, take the problem that confronts us in the City Bank. We have opened branches in Buenos Ayres, Rio de Janeiro and Santos, Brazil and Peru. We are going to gradually increase the number. We send a man to Buenos Ayres, six thousand miles away. He has the right to sign for the bank; he can involve the bank in all kinds of trouble unless he is a man of the highest kind of character, a man whom we can absolutely trust without seeing for perhaps five years.

I take it that the difficulties that beset a man in a foreign country are many, and that it is a very easy and pleasant thing to slide downhill. The man who goes to a foreign country is away from his friends; he has not got the help that the opinion of those friends is to him; he is surrounded by people who do not care about him, do not care whether he sinks or swims; and that is, as I say, a most essential thing. The men of character must make up their minds to prepare and equip themselves to go to these foreign countries if we are to succeed in the great business of extending our trade to foreign countries. "Yankee smartness" must be a thing unknown. We must be known as a people who deliver goods that are beyond question, that give an absolutely fair deal in all our transactions. We must send a high type of men; we must send good goods; we must build for the future, not for the moment. If we do not make a profit on this thing for years we must look ahead and see what it is going to do for the country in the future. We must increase our education, increase our name for fair dealing, and by so doing we can extend to the world at large the trade which we can properly build up and which will properly in future years belong to us.

According to the Census Bureau's estimate the National wealth is $187,739,000,000, or $1,965 per capita.

A Recent Change of Attitude Concerning Corporate Financing

Relative Merits of Short Term Notes and Bonds —A Matter of Interest Rates—Address Before Cincinnati Chapter American Institute of Banking.

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FOR the last decade, as you no doubt know, corporations have been issuing short term obligations to provide money for both current and permanent outlays of capital. When I refer to short term obligations I shall mean notes, running usually from one to five years, as distinguished from bonds, running for a long term of years. There is no fundamental difference between the note and the bond, except in the length of time they have to run and in the fact that long term bonds are usually secured by a mortgage on some property, which mortgage is conveyed over to the trustee of the bonds under a deed of trust or trust deed, as it is called. The notes, on the other hand, merely represent an obligation of the issuing corporation to pay a sum certain at the maturity of the note, and secured, if at all, by a deposit of collateral with the trustee.

Now, what determines for the railroad company or the large corporation whether a note or a long term bond shall be issued? If money is needed for a short time only, as for instance to buy railroad equipment, to retire an equal amount of maturing notes or in general to provide money in payment for current outlays, then very properly short term notes may be issued, whether interest rates are high or low. Now let us take another case. Suppose a railroad is building a new branch or a manufacturing company is putting up a new building, on which an issue of bonds is later to be placed. Let us suppose that, in the meantime, for some reason there is a big demand for capital and interest rates go up. Here we have a typical situation that has faced corporations many times in the past.

When Short Term Notes Are Proper

Obviously long term bonds should be issued if the interest rates were low enough to justify it. However, as interest rates have increased, the directors of the corporation may feel that it is better financing to issue short term notes and later refund them by long term bonds when interest rates are more favorable. Railroads and other large corporations have been doing this repeatedly for the past decade. There is nothing fundamentally wrong in this method of financing. To cite a specific example: In April, 1907, the Erie Railroad, because of the high interest rates which came just before the panic of that year, issued $5,500,000 of one-year notes. In April, 1908, the conditions being still unfavorable for a long term bond offering, the railroad issued $15,000,000 three-year notes, of which $5,500,000 were used to take up the one-year notes issued in 1907.

Thus from the foregoing we see that if the need for the money is for a short time only, then short term notes may very properly be issued. If the need for the money is of a permanent character, such as the building of a factory or the like, short term note issues may be justified if the interest rates are high and the directors feel that rates are to be lower and that they can later issue long term bonds on better terms.

Watchful Waiting

Railroads and other corporations have been maintaining this watchful waiting policy for a great number of years, and many millions of short term notes, representing permanent outlays of capital, have been issued; but interest rates did not decline as the directors thought they would. No one can blame the directors for this method of financing. They hesitated to issue a long time bond at rates which they considered excessive, for this would put a severe burden on the corporation if, after a few years, the rates should decline; therefore they have issued short term notes with the expectation that the high interest rates were only temporary, and that they would refund the notes with long term bonds when interest rates were favorable.

Now in the face of the European war, and with a strong probability that interest rates were going to stay high and possibly go even higher, many large corporation financiers lost patience with the market. The present time shows some improvement in the bond market, due to accumulations of surpluses, the disposition of investors to buy obligations rather than stocks, and also to the small supply of new bond issues. These conditions make it seem opportune to substitute the long bonds for the short notes.

Long and Short Term Financing

A consideration of the securities issued during the past few years will show the trend and scope of short term financing.

Let us go back to 1907, for at that time short term securities first made their appearance in great numbers as a means of permanent financing. For two years before the panic of 1907 there had been a very general overextension of credit. There was a very great demand for capital during those two years for conversion into fixed forms of investment. Interest rates, following the demand for capital, increased rapidly. Railroads were undertaking new construction and the

question presented itself as to whether long term bonds, which would have to bear a high rate of interest, should be issued, or whether it was not better financing to issue notes running for a few years in hopes that the high interest rates were only temporary. Thus in the year 1907 $330,000,000 of notes were issued and only $246,000,000 in bonds were issued. This clearly shows temporary financing, which probably, under the conditions, was justified.

Interest Rates Decline

In the next year, which was a period of readjustment following the actual panic of 1907, money rates decreased to some extent. The reason for this is easy to see. A period of depression, which usually follows a panic, brings about a great amount of surplus capital which seeks investment at a low rate of interest. Thus we find that in 1908 a much larger amount of bonds, totaling $648,000,000, were issued, while only $187,000,000 worth of notes were issued. General business conditions continued to improve in the year 1909. In that year bonds were issued to the total of $712,000,000, while the notes brought out in that year were not of great importance.

The condition of the financial market during 1908 and 1909 may well be compared to the condition of the market at the present time. In 1908 and 1909, following the panic of 1907, there was a plethora of funds. There was a good demand, during those two years, for long term bonds. At the present time long term bonds have a good market. The causes have been the same in both instances; following a stringent money market capital accumulates as surpluses. This capital is ready to go into investments which represent obligations and as confidence (which is the basis for all credit extension) returns, this capital will seek investment in stocks which represent new enterprises.

Slow Return of Confidence

Confidence, in business, returns slowly following a depression, but it can be easily disturbed, and in 1910 we find that political events had worked to disturb the confidence which had partially revived since 1907. Stringent laws were being passed by legislatures affecting the wages of railroad employes and decreasing railroad rates. This worked to destroy the confidence in the railroads, from the standpoint of investment. This is immediately reflected in the amount of securities issued, and in 1910 we find a moderate use of short term notes and some borrowing abroad.

In the year 1911 disturbed confidence at home and less favorable money markets abroad, due to strained European conditions, reduced the security issues of all corporations. Interest rates again increased, due to unsettled conditions, and immediately corporations issued short-term obligations, hoping that the rates would decrease before their maturity. Three hundred and ten million dollars in notes were issued in 1911 as against $397,000,000 in bonds. Once corporation notes were issued the method was continued and in 1912 $368,000,000 in notes and $447,000,000 in bonds were issued.

Now the natural query is, Why were not these notes paid? The answer is that corporation managers felt that lower interest rates would come, but in 1913, instead of reducing the amount of short-term notes they increased to the large amount of $539,000,000. A large percentage of this represented new notes which were issued to retire maturing note and bond issues, showing a decidedly temporary plan of financing.

In 1914 the amount of new notes totaled $561,000,000 as against $361,000,000 of bonds. This, again, showed that corporation directors felt that they would find a better market for long-term bonds at the maturity of these short-term notes.

Railroad Credit and Notes

We have indicated a number of reasons which would prompt the corporation directors to issue short-term notes. Some pepole have contended that the railroads have been forced to issue short-term notes because of the investment demands, that is to say, it is contended that investors have had fears as to the desirability of long-term railroad securities as a result, principally, of railroad legislation. They say that investors have preferred to put their money into such securities as public utilities and municipal issues, but would buy short-term railroad notes if they were made attractive by comparatively high interest rates. I think there is no doubt that railroad credit, especially for long-term securities, has been somewhat disturbed, due to adverse legislation; but the numbers frightened were not large enough to affect so seriously the corporate financing of railroads.

Another reason which would explain why certain corporations have adopted the expedient of issuing short-term notes is because they have lacked the ability to provide sufficient lien security. For example, let us suppose a simple case and say that corporation "A" had a blanket mortgage on its property—no other property could be acquired without coming under this mortgage. If the mortgage was not closed further bonds might be issued but would be inferior as to security. Thus the corporation might finance a new bond issue but the rate of interest would necessarily be high, making a fixed obligation which might be troublesome in lean years. If the corporation wished to acquire new property through a bond issue it might organize a new corporation to buy the property whose stock would be owned by corporation "A." Then it could issue the bonds representing a first lien on the new property at a much less interest rate. Corporation "A" might afterwards absorb the new corporation but it would have accomplished its purpose.

I do not think that either of the two preceding reasons sufficiently explains the use of short-term notes. One of the reasons unoubtedly has been the unfavor-

able bond market conditions from time to time, but there are other important ones.

Changed Fashions in Investing

Fashions change in investing as well as in other matters, so that the relative prices obtainable for different classes of securities vary somewhat from time to time. During a period of dull or declining market people may be attaching more importance to the security afforded by a mortgage lien. Through a time of active and expanding market they may be more ready to see the advantages arising out of participation in profits. When current interest rates are running high, bond interest rates tend to follow them. At such a time the managers of a corporation will feel reluctant to commit their enterprise to the issuance of bonds which will carry a high interest for their entire life, twenty, thirty or fifty years. They are then likely to temporize by financing on short-term notes, which will impose a high rate of interest, to be sure, but will fall due in several years. The corporation managers hope they will be able, by that time, to finance on long-term securities at more favorable rates.

During the period just before the panic of 1907, when interest rates were high, the corporation issued many millions of notes running three to five years. Once a special financial practise of this kind starts, it acquires a momentum not easy to check. People get a liking for short terms, for example, and in their desire for this class of paper will not readily subscribe for long-term bonds. So they tend to prolong the situation when the condition creating it has ceased.

Of late there has been a decided change of attitude, especially by leading financiers, in regard to the financing of permanent indebtedness. The financing of short-term securities in payment for permanent improvements and additions cannot be considered the most expedient form of corporate management. Large issues of securities are usually marketed on more favorable terms for they command a greater trading interest. For this reason short-term issues, usually smaller in amount, have often suffered in commanding the most favorable market return. Managers of railroads and other large corporations have been conducting their businesses in a careful manner, closely watching the trend of railroad and trust legislation. As we have seen, they have issued short-term securities, hoping that the market interest rates would be lower at the maturity of the notes and then they could replace them by long-term bonds. Interest rates, however, have not decreased, and on the maturity of the notes corporation managers have found no better market for long-term bonds. Consequently they have replaced them by other short-term notes.

A Problem of Rates

Now, in the face of the European conflict, they are confronted by the same problem which has confronted them many times in the past. With the revival of business are interest rates to be higher or lower? Many corporation managers, judging from their actions and from writings, feel that interest rates are going to be as high as at present, if not higher, and it seems to me that this is the natural thing to expect. The corporation managers have become tired of renewing maturing notes with other notes, expecting the market rates to decrease. This does not provide a permanent plan for financing of their permanent indebtedness. They are now determined that it is better corporate financing to let their needs for the money be the judge as to whether short or long-term securities shall be issued, rather than the market interest rates. In other words, they have become tired of waiting for the market rates to fall and have resolved to issue long-term securities even at the relatively high rates which they have to pay.

Take, for example, the $100,000,000 New York Central Railroad Company's twenty-year, six per cent. convertible debentures recently underwritten by a syndicate of bankers headed by J. P. Morgan & Co. As you no doubt know, the New York Central for a number of years in the past have been issuing notes because they thought the interest rates were too high to warrant their issuing long-term bonds. Now see what they have done. They have brought forth a large issue of convertible debentures and notice that the interest rate is high, being about the same as for the notes which they have issued in the past. Debentures, as you know, have no lien security. They represent merely a promise to pay, issued upon the good faith of the obligor. In this case, however, they have given the holders something more—they have made them convertible, which gives the holder the right to convert the bonds into stock of the railroad at some later time at a definite price.

Notes for Long Term Bonds

This, as you will see, is attractive to the investor, because, for the present, he holds a bond yielding a comparatively high return; besides this, he has a possibility of future appreciation through the right of converting the bonds into stock, should the earnings, in the future, send the stock above the conversion price stated in the bond. To be sure, this issue of debentures has cost the road more than they had hoped to pay, but they feel, no doubt, that it is worth all it cost to get upon a permanent plan of financing their permanent needs. With this issue the New York Central means to retire an equal amount of short-term notes and other obligations. Thus they will avoid the trouble of watching the market in the hope of finding lower interest rates and get the regularly maturing debt, represented by the short-term notes, out of the way for a long period of years.

Other railroad issues manifest the same thing. The Erie Railroad has recently brought out a $6,000,000 bond issue. These bonds represent a first mortgage upon the Genesee River Railroad line, which line is absolutely reqquired for economical operation of the

Erie Railroad's traffic between Chicago and Jersey City. Note the purpose of these bonds. The net proceeds of the issue are to be used to retire a corresponding amount of maturing notes, therefore the debt of the Erie Railroad Company will not be increased. This issue illustrates the same tendency as we found in the New York Central issue; substituting notes, which represent temporary financing, for long-term bonds. The Erie Railroad bonds are to run for fifty years and bear interest at the rate of six per cent. It is very evident that the Erie Railroad managers feel that interest rates are not to be lower following the revival of business.

Again, the financing of the Pacific Gas and Electric Company, of California, shows the recent change of attitude. On December 15, 1914, this company issued $4,000,000 worth of one-year, five per cent. gold notes. These notes were secured by $10,000,000 of mortgage bonds of the Pacific Gas and Electric Company, which bonds were deposited with the trustee. These notes were callable at 100.25 and interest. Now see what has happened. The company evidently feels that interest rates are not going to decrease, and that on maturity of these notes in December, 1915, they will have to pay them, or replace them with issues bearing a higher rate of interest. You may have noticed in the financial papers that these notes are now being called for payment. The company has sold the long-term bonds which were pledged to secure the notes issued a year ago, and out of the proceeds of these bonds it is paying off the short-time notes.

These several instances show clearly the trend of corporate financing. Corporation managers have been waiting patiently, issuing short-term securities for permanent outlays of capital, in the hope of finding lower interest rates on maturity of the notes to justify refunding them with long-term bonds. But, as you know, interest rates have not decreased much and now railroads and other large corporations are issuing the long-term bonds at comparatively high interest rates. They have decided to adopt a permanent plan of financing their long-term indebtedness. This change of attitude is attracting much attention at the present time, and writers in financial papers have complimented the railroads and other corporations on adopting this method of financing. It will be interesting to watch the development; will following bond issues be for long or short times? In other words, is the change of attitude permanent or temporary? It seems to me that these few instances which I have cited are only the forerunners to their issues for the same purpose.

INTEREST IN THE SUBJECT OF HEALTH

The "Commercial West" has added to its many interesting features a department of health. Colonel William C. Hunter puts "pep" into the preparation, as may be seen by the following things prescribed for men fifty years old to do:

> Drink two glasses of warm, not hot, water immediately on arising.
>
> Eat an apple before breakfast, positively you must eat the skins too. The skins have the phosphorus, phosphates and brain food. The skins make roughage and keep the alimentary tract active.
>
> Eat for breakfast a little bacon, cooked rare; crisp bacon has all the good fried out, and you simply have ashes left.
>
> One cup of coffee, an egg or two, some cereal and toast, no red meat, no potatoes.
>
> Walk to your office if it is less than three miles, if over three miles ride the extra distance, but walk three miles anyway.
>
> Walk alone, this is most important; it relaxes your brain. Walking with company makes it a physical exertion and a mental pull as well, for a man will talk when he has company.
>
> Eat a light lunch, be sure to eat an apple, with it drink two or three glasses of water, cool but not cold.
>
> Let your hearty meal be dinner, eat slowly and don't talk business. After supper play with the kids or joke with your wife, and get a smile on your face.
>
> Just before you retire read a chapter from a worth while book. The last thoughts which you take in at night are the ones which stick.
>
> Leave your business in your business clothes, and get in a good night's sleep.

The "Commercial West" expresses itself as "glad to see that the bankers themselves are alive to the dangers of present-day living and to the need of an active campaign for health. The Bankers Health Commission furnishes to bankers in the form of a poster a set of 'Every-day Exercises,' that are intended, not to make athletes of bankers, but to tone up and develop the bodily functions, so that a man's body may be kept up to par, or at least a workable degree of health. These are simple exercises that require no apparatus and need consume but a few minutes' time morning and night. This poster may be obtained for a nominal sum by applying to Five Nassau Street, New York, which is the address of the commission.

"An article on this subject from the May number of the JOURNAL of the American Bankers Association will be found elsewhere in this issue. It is entitled 'Mental Strain and Physical Stagnation,' and that in itself very nearly explains the situation and tells the story of the failure of many business men to adjust themselves to nature's laws."

INSTITUTE CHAPTERGRAMS

INSTITUTE CONVENTION

SAN FRANCISCO, AUGUST 18, 19, 20, 1915.

The Program Committee has earnestly endeavored to provide appropriate subjects of particular importance at this time and to see that these subjects are treated by men who are well qualified to discuss them

By the time this issue is printed delegates will have been chosen and vacation plans arranged, so that there will be needed only the call "All aboard" to set in motion the enthusiastic throng that is eagerly awaiting the departure of the Bankers Special for San Francisco.

If, despite the attractiveness of the committee's program, there are still some members who are hesitating, undecided whether or not to make the trip; men for whom the route of the Chicago Special—embracing as it does many of the scenic wonders of the United States and the world—possesses no charm, we would point to the unparalleled opportunity afforded to visit the grandest world exposition ever seen before and at the same time enjoy a hospitality never before extended to the delegates and visitors to any convention. Those who fail to attend this convention will miss an opportunity for profit and pleasure that comes only once in a lifetime.

While there remain a few important numbers to be announced later, the following is substantially the program that will be followed:

WEDNESDAY, AUGUST 18, 1915.

Convention called to order by President Wm. S. Evans.
Invocation.
Addresses of welcome—
From the City—Hon. James H. Rolph, Mayor of San Francisco.
From the Banks—C. K. McIntosh, Vice-President Bank of California N. A.
From S. F. Chapter—Wm. A. Marcus, President S. F. Chapter A. I. B.
From American Bankers Association—Col. Fred E. Farnsworth, Secretary A. B. A.
Annual address by the President, Wm. S. Evans.
Report of Executive Council by the Chairman, Robert H. Bean.
Appointment of committees.
Address, "The Shortsightedness of Bankers," James K. Lynch, Vice-President A. B. A. and Vice-President First National Bank of San Francisco.

THURSDAY, AUGUST 19, 1915.

Convention called to order by President Wm. S. Evans.
Invocation.
Address, "Branch Banking and Trade Relations in South America," H. R. Eldridge, Vice-President National City Bank, New York.
Address, "Success Under the Federal Reserve System," Hon. F. A. Delano, Vice-President Federal Reserve Board.
Symposium, "New American Banking Practise," by members of the Institute.
Adjournment.

AFTERNOON SESSION.

Conference of Chapter Presidents in charge of Frank W. Bryant, Boston.

FRIDAY, AUGUST 20, 1915.

Call of order by President Wm. S. Evans.
Invocation.
Address, Prof. Samuel Williston.
Inter-Chapter debate.
Unfinished business.
Reports of committees.
Election of officers.
Selection of 1916 convention city.
Adjournment sine die.

CONFERENCE OF CHAPTER PRESIDENTS

Frank W. Bryant, in charge of the conference of Chapter Presidents, announces that arrangements have been made to entertain at luncheon the Chapter Presidents or their representatives at the Hotel Bellevue immediately upon adjournment of the convention Thursday, August 19.

All Chapter Presidents are cordially invited and earnestly requested to come prepared to enter into the discussions.

Detailed announcements will be mailed to all Chapter Presidents. Suggestions for this important conference will be welcomed.

INVITATION TO VISITING DELEGATES

The following invitation has been extended to all delegates attending the San Francisco convention of the American Institute of Banking:

"Portland, Spokane and Seattle Chapters desire to extend to you a most cordial invitation to visit our cities while on your convention trip.

"We wish the pleasure of having you call upon us and the privilege of showing you our great Northwest.

"Your trip will not be complete if you return home without having spent part of your vacation in the Pacific Northwest and the great Inland Empire. There are BIG THINGS here for you to see. This country is different. It awaits you, and you should see it.

"We earnestly urge you to visit us either on your way to or from the convention, and we invite you to come because we really desire to entertain you.

"R. M. DOBIE, President Portland Chapter;
"W. E. TOLLENAAR, President Spokane Chapter;
"G. E. MAINE, President Seattle Chapter."

ALBANY

By J. Raymond Roos

Albany Chapter is proud to announce that fifteen of the members who went through the "acid test" of the A. I. B. passed their examination. The members who have this year qualified for the certificate are: Sherburne A. Morrill, of the National Commercial Bank; James A. McCabe, of the Mechanics and Farmers Bank. Those who passed the first-year examination are: Gardner B. Perry, A. J. Allen, George F. Barrett, Lawrence J. Erhardt, James H. Flanigan, Louis F. Hartman, J. Germain Keller, Arthur Kock, Rollin S. Polk, Henry B. Rockwell, Frank E. Sheary, Frank H. Williams and Wyllis F. Bodley.

This year's course was conducted by Professor Robert Tudor Hill, Ph.D., an instructor in "Economics and Banking" at Union College, Schenectady, and one of the most prominent teachers in the Capitol district. The work has been thorough and careful, and it is worthy of notice that all passed who tried the examination.

The following seventeen constitute the graduates of the Albany Chapter: John C. O'Bryne, Alfred L. Taylor, Mills Ten Eyck, George Wilkinson, Leo K. Fox, Samuel Applebaum, Clifford J. Beckett, Herbert J. Kneip, James McCabe, P. Raymond Krause, Edward Boice, Sherburne Morrill, Edwin Corrie, J. Raymond Roos, Harley J. Hotaling, Harry Smith and Julius C. Hacker.

The picture of all the members of the Albany Chapter is being exhibited in the window of the Morris Drug Company, on North Pearl Street. The members feel grateful to Samuel Applebaum, who, through his untiring efforts, is largely responsible that the Albany Chapter owns such a beautiful picture.

Arthur Kock, of the Manufacturers National Bank of Troy, represented the Albany Chapter at the convention of the New York State Bankers Association, held at Saratoga Springs, N. Y., on June 24 and 25. The Albany Savings Bank Club, of which Mills Ten Eyck is President, decided to disband and the members will join the Albany Chapter as a Savings Bank Section. They will be represented on the Executive Committee and will outline a course of study pertaining to savings banks.

Owing to the vacancy caused by the death of our friend, J. Whitney Tompson, First Paying Teller of the National Commercial Bank, James Lodwick was appointed to that position and Harry W. Reynders succeeded Mr. Lodwick as First Receiving Teller. These young men are members of the Albany Chapter since its organization and are two popular Albanians.

The Albany bank clerks are now entering their fourth year in being represented as a Chapter of the American Institute of Banking. Since its organization in this section two of its members have become officers of National banks.

It is the intention of President Godfrey J. Smith to make the coming season of 1915-1916 a banner year by bringing to Albany some of the most prominent men in banking and financial affairs in the country.

BALTIMORE

By Theodore C. Thomas

The election of the officers of Baltimore Chapter has been held, with the following results: President, C. Leland Getz, of Robert Garrett & Sons; Vice-President, Hilary W. Lucke, of the Calvert Bank; Secretary, C. Walter Katenkamp, of the State Bank, and Treasurer, Benj. H. Heath, of the Title Guarantee & Trust Company. The delegates to the convention have also been elected. The newly elected President, Mr. Getz; Adrian J. Grape, Assistant Cashier of the Commonwealth Bank, and Benjamin F. Kenney, of the Central Savings Bank, will represent Baltimore Chapter at San Francisco. Mr. Getz will also represent Baltimore Chapter at the Maryland Bankers convention at Cape May.

The Excursion Committee reports a fairly successful trip this year. Owing to the bad weather we had the crowd was somewhat smaller than usual, but the 600 or more who went had the time of their lives. We had as our special guests the Mayor of Baltimore, Hon. James H. Preston, and the honorable Chinese business delegation. After a delightful trip down the bay to Annapolis, a short stay in that quaint old capital of the State, visiting the Naval Academy grounds, a sail on down the bay, we returned to Baltimore.

Gwynn Crowther, of the Merchants-Mechanics National Bank, has been appointed Assistant Cashier of the newly organized Baltimore Commercial Bank. We wish Gwynn much success in his new position. Robert S. Mooney, a former President of the Chapter and recently connected with the Munsey Trust Company, has been elected as Vice-President of this bank.

BOSTON

By Leo W. Huegle

When the annual convention of the Institute opens in San Francisco in August Boston Chapter will propose Robert H. Bean for the office of President for the coming year.

Never before has there come forward a nominee for this honor who could bring to the office such an extensive experience and knowledge of Institute affairs as Mr. Bean already possesses. The history of his Institute connections is particularly interesting, and his progress in this work demonstrates clearly his deep personal interest in the organization, his energetic and resourceful characteristics and the high degree of his executive ability.

Shortly after Boston Chapter was organized Mr. Bean became one of its most active members. This is another one of the many similar cases wherein the Institute has been the cause of bringing out a capable man who otherwise might never have found the initiative or opportunity for developing his ability. Through

his energy and activity on various committees Mr. Bean rapidly became one of the Chapter's most valuable members, and in 1912 was elected its President. During his administration the Chapter enjoyed such phenomenal success that he was re-elected for the succeeding year. This success was due largely to the extensive and thorough educational courses which Mr. Bean established and to the interest and desire for study which he personally inspired in the younger bank men. This development being entirely in harmony with the fundamental principles of the Institute, Boston Chapter soon became recognized as one of the most successful Chapters in the country, demonstrating, as it did, that with the right man behind it a Chapter could be most successful and efficient if it proceeded solely along the lines prescribed by the national organization. In this case the man behind the success was Mr. Bean, and it was natural that he should soon become prominent in the national organization.

The history of his progress in his local Chapter was repeated in his work in the parent body. His membership on the important national committees has brought him in contact with all phases of the work, and his services in these connections won for him a place on the National Executive Council for a three-year term, during the present year of which he has been its Chairman.

Mr. Bean's progress in Institute affairs was naturally reflected in his business. He rose rapidly in his institution, the National Union Bank, and in the esteem of the Boston banking fraternity. When the Old South Trust Company was organized he was invited to become its Treasurer, which position he is now filling with his usual energy and ability.

Boston Chapter is justly proud of its candidate, and feels that in presenting Mr. Bean it offers a man who has grown up with the Institute, has had experience in every department of its activities, local and national, and has already demonstrated his executive ability. Equally important, he is himself a product of the Institute, and through his own experience has deeply at heart the ambitions and needs of the younger bank men of the country.

On behalf of the Chapter: Frank W. Bryant, Chairman; Raymond B. Cox, Horace S. Ford, George B. Fox, Robert B. Locke, John W. Marno, Gordon E. Musselman, Olaf Olsen, Herbert E. Stone, Fred A. Young.

CINCINNATI

By Wm. Beiser

The pleasant duty of again reporting on Cincinnati Chapter has been assigned to the writer. The reporting is a particular pleasure at this time, as an opportunity is given to make reference to very important developments in Chapter activity during the last few weeks. The Convention Committee, of which Mr. Mergler is Chairman, has successfully carried on the campaign for the holding of the 1916 convention of the Institute in Cincinnati; its success is the sole topic of conversation among the members. The associated and individual banks, the Chamber of Commerce, municipal organizations and city authorities have responded very favorably. All preliminary arrangements which are necessary to the giving of an invitation have been completed—every effort will be made to secure the convention. If, however, the effort should not prove successful, the members of Cincinnati Chapter have had the opportunity to know that the favorable action by the banks, the Chamber of Commerce and other organizations places the stamp of approval upon its plans and results. From this condition there should develop additional encouragement. All members will cheerfully co-operate to make the 1916 convention in Cincinnati a decided success from every viewpoint. Cincinnati Chapter has been successful in the carrying out of its plans.

The A. I. B. Convention for "The Queen City" in 1916

The Cincinnati Chapter, the Clearing House Association, the Chamber of Commerce, other civic organizations and the city invite the American Institute of Banking to hold its next annual convention in their city.

Of late the A. I. B. conventions have been held at extreme points of the United States. It is now an opportune time to hold one at the center of population, namely, Cincinnati. Because of the ideal location we can give many Institute men the opportunity to reap the benefits of a convention, which, because of great distances and much time consumed, they have not heretofore been able to enjoy. We believe that "the greatest good to the greatest number" should be the watchword of the Institute in choosing convention cities. That being the case, without doubt such results can be accomplished at the convention next year in Cincinnati Hundreds of Institute men who have been unable to give the time required can easily come to Cincinnati, it being less than a day's journey from all points save the extreme West; then, too, the cost to the delegates would be greatly reduced.

Cincinnati has hotel facilities among the best in the Central West for conventions. Our hotels are new and up to date, centrally located, and within two minutes' walk of one another. The banks and civic organizations are behind us, and are determined to make it the greatest convention of its kind ever held, not only in numbers but in work done, benefits derived and pleasures enjoyed. All who have ever visited Cincinnati can testify that no city or people in the world to-day can crowd more genuine pleasure in a shorter space of time, save possibly San Francisco. We offer you the best Cincinnati has. We are both anxious and determined to make you let us entertain you "the Cincinnati way." In Cincinnati was the Institute conven-

tion idea conceived. Come back to Cincinnati and we will show the world how proud we are of our offspring.

Again the Queen City invites you, and righty royally will she entertain you.

H. J. Mergler, Chairman;
R. C. Smith,
J. Edw. Sohn.
O. W. Clark, Secretary; L. C. George, President.

DAYTON

By L. F. Waitzman

The Educational Class of the Dayton Chapter came to a close about three weeks ago and marked the completion of the second year's work in this line. It proved very satisfactory, thanks to the efforts of that committee. Final reports have as yet not been given out.

The Board of Governors is being kept very busy working on plans for perfecting and revising the Chapter in a general manner.

Live committees have been appointed by the new administration for all departments. The Social Committee announces that it is completing arrangements for a number of out-of-door events to be held during the Summer season, the chief one being the annual picnic, which will be held in the first part of August.

A meeting of the Chapter was called for Wednesday, July 14, for the purpose of transacting old and new business on schedule to date. A large crowd is expected to be present, as is usual on such an occasion.

EAU CLAIRE

By E. A. Kerslager

Eau Claire Chapter has just closed one of its most successful seasons. The following members have passed the examination in the first half of the study course prescribed by the Institute: William J. Selbach, C. Kappers, Gordon Barland, Arthur Voss, Cornell Charlson, Roy W. Bailey, Nicholas A. Schaff and Karl R. Kuehl. We feel confident that these members will complete the Institute course next season, which means that seven or eight more certificates will be handed to the Eau Claire boys. We cannot give too much praise to our class instructor, District Attorney Fred Arnold, who so faithfully conducted the classes during the last two seasons. The class was well attended by graduates of the course during the study of the Federal Reserve Act, and they also held discussions on various other current topics from time to time at their meetings.

M. J. Leinenkugel has been elected Cashier of the Ingram State Bank, Ingram, Wis. Mr. Leinenkugel has always taken the deepest interest in the Institute, and it was through his efforts that Eau Claire Chapter completed its tasks it so well began the beginning of the season, and our members feel very grateful toward our past president for the kindly interest he has taken in his work. H. M. Wollum, one of our past presidents, has recently accepted the position of general manager of the Vaudreuil Canning Company, and E. J. Kuehl, another past president, is now the proprietor and manager of the Commercial Hotel, one of the leading hotels of the city.

JACKSONVILLE

By J. E. Stephenson

The regular annual meeting of Jacksonville Chapter, American Institute of Banking, was held on Thursday night, May 27, in the banquet hall of the Board of Trade, for the purpose of electing officers to serve during the ensuing year.

The members present took an active interest in the proceedings of the evening, and various plans for advancing the work of the Chapter were debated at length.

E. T. Schenck, who has been conducting a course of study on the Federal Reserve system, occupied the chair, and selected J. A. Newsome, W. H. Johnson and J. E. Stephenson as a Nominating Committee. After carefully discussing the matter this committee named the following parties as officers of the Chapter: President, J. A. Newsome; Vice-President, W. H. Johnson; Vice-President, W. M. Girardeau; Secretary-Treasurer, A. C. Martin.

These selections were approved, and the above gentlemen were elected to serve during the ensuing year without a dissenting voice.

In accepting the presidency Mr. Newsome thanked the members for the honor conferred on him, and called their attention to the fact that as no senior bank officers were now on the official staff of the Chapter the future success of the organization would depend entirely on the younger men, and it therefore behooved every individual member to put his shoulder to the wheel and assist the officers to the best of his ability.

In view of the fact that many of the members are leaving town for the holidays it was decided to have a Summer vacation. The next meeting of the Chapter will be held on the first Thursday in September, at which time Messrs. Newsome and Stephenson, delegates from Jacksonville to the San Francisco convention of the American Institute of Banking, will endeavor to give an interesting account of the proceedings of the convention.

KNOXVILLE

By W. R. Jett

The educational work begun by Knoxville Chapter last October was brought to a close Tuesday evening, May 18th. The work of the past seven months has been under the direction of Prof. C. W. Turner, Dean of the Law School of the University of Tennessee. It as an erroneous idea that the work accomplished in a Chapter should be judged in marking its success by the number of graduates added to its list. While Knoxville Chapter did not have a single graduate this year, all

the members feel certain that the Chapter has made progress and the year has not been a failure. To our retiring President, Z. J. Shriver, belongs all the credit for what has been accomplished during the past year. As this was our last meeting, reports from the various committees were read and filed and officers for the ensuing year were elected. Those elected were elected unanimously, and we consider ourselves most fortunate in announcing the following: President, J. F. Disney, East Tennessee National Bank; Vice-President, C. E. Gentry; Secretary, W. R. Jett; Treasurer, R. C. Lowry. Board of Governors elected to serve a term of one year: Ralph Schmitt, E. M. Fitzgerald, F. E. Haun, A. Y. Russell and George L. Ogdin.

Owing to the great distance and the expense to the national convention the members of Knoxville Chapter did not think it advisable to send more than one delegate. J. F. Disney will go as a delegate from this Chapter.

LOS ANGELES

By E. G. McWilliam

The following self-explanatory letter has just been addressed by our President to President Evans at Philadelphia:

WM. S. EVANS, Esq., President,
American Institute of Banking,
Philadelphia, Pa.

Dear Sir—On behalf of Los Angeles Chapter I have the honor to extend to you and the delegates who will travel to the San Francisco Convention via the special train which is scheduled to arrive in Los Angeles at 1:30 p. m. on Sunday, August 15, a cordial invitation to be our guests during the afternoon and evening of that day.

Being the youngest Chapter of the Institute, we shall not endeavor to provide an elaborate entertainment, but our boys desire to become better acquainted with the representatives of other chapters, and also that you shall all gain a comprehensive idea of our beautiful city and its environs.

Trusting to have the pleasure of welcoming a large number of Institute men in Los Angeles on Sunday, August 15, and that you will advise me as soon as definitely known of the approximate number we may expect upon that train, I am

Very respectfully yours,
(Signed) W. H. THOMSON,
President.

We certainly feel honored that the Eastern delegates will stop in Los Angeles, if but for only a few hours, and hope that an exceptionally large number of Institute men will travel to the convention via this special train.

We are proud of our city and we feel that we are justly so; and believe that it will prove a revelation to many of our Eastern friends, who probably have little conception of what has been accomplished here during the past few years or of the size and equipment of our banking institutions.

We feel also that the visit of the delegates will give an added impetus to Los Angeles Chapter, which was so recently reorganized under such favorable auspices.

However, whether Institute men come to us in a body or individually, the "latch-string is always out" in Los Angeles.

Our meetings have ended for the season, but our Educational Committee is hard at work perfecting its program for next season. Following recent advices from the Educational Director's office, our Educational Committee has abandoned the idea of instituting the first year or Practical Banking Course next season, and will take up the Law Course. It is planned to give the bank men of Los Angeles the very best to be had in the way of instruction in this course, and to that end negotiations are under way with the University of Southern California to secure the co-operation of that institution in conducting this course as laid out by the Institute.

NEW ORLEANS

By Norbert B. Hinckley

New Orleans Chapter is not letting any grass grow under its feet. The installation of officers took place on May 29, and our first meeting was held on Monday, May 31. Committees for the ensuing year were appointed. The Membership Committee has already secured applications of a large number; the Entertainment Committee is busily engaged for our annual boat ride to be given in the early part of July, and the Educational Committee reports that considerable progress is being made in that direction and promises that in October it will have ready a program that will appeal to all. All other committees, too, are busy at work with their respective duties.

At our regular meeting in June A. Breton, Vice-President of the Canal Bank & Trust Company, again honored us with an address, selecting as his subject "Acceptances." This question is a very live issue in American banking circles at the present time, and Mr. Breton's address was especially well timed, as the Legislature of Louisiana has just passed a bill authorizing State banks to accept drafts and to issue letters of credit. In conclusion Mr. Breton explained the various classes of acceptances, viz., import acceptances, export acceptances, domestic acceptances, finance acceptances. Louisiana is the third State to amend its State Banking Laws so as to permit its banks to accept domestic drafts, New York being first and Missouri second.

The Board of Commissioners of the Port of New Orleans very kindly offered us the tub "Sampson" on the evening of Saturday, June 19, for the purpose of seeing the wonderful development which is taking place along the river front, and as the New Orleans boys take a particular pride in the development of the port, whenever the Dock Board says the word we immediately accept.

The port of New Orleans consists of forty-one miles of available river frontage and eleven square miles of deep water harbor. After riding up and down the Missouri several times and noting the improve-

ments taking place, we stopped off at the site of the new cotton warehouses, which is undoubtedly one of the most interesting, if not the most interesting, pieces of engineering work of the present time, and inspected the work which is going on there. In this particular proposition we feel more than proud, and are at all times glad to boast of the benefit which is to accrue to the entire South when these structures have been completed.

The actual work of construction started on January 1, 1915, when nearly 10,000 piles of creosoted pine were driven as the foundation for the huge plant, the site having been filled in with 2,000,000 cubic yards of river sand. Something of the size of the undertaking may be inferred from the fact that 50,000 cubic yards of gravel, 25,000 cubic yards of sand and 75,000 barrels of cement have been used in the construction of the first unit, and there will be three units. It is estimated that 10,000 tons of steel will be required for the entire plant, which will require a roof of approximately twenty acres. Seven concrete mixers, four hoisting engines, four spouting towers and two locomotive trains are in constant service. These warehouses, of which there are two, each occupies a space of 676 x 173 feet, and each is divided into twenty-one compartments, 32x 101 feet center to center of walk. The center construction of the terminal, with the exception of the timber apron wharf, will be of reinforced concrete and steel. The buildings are supported on concrete pine piles varying in length from twenty-five to fifty feet. The general design of the wharf and shed is of the latest development. The terminal and trackage being constructed will have a capacity of approximately 2,500 cars, which will be sufficient to accommodate a daily movement of 1,000 loaded cars, equivalent to a shipment of from 30,000 to 50,000 bales of cotton. Other appliances are automatic grapples attached to cranes used in lifting and lowering cotton bales, and mechanical devices for pulling or pushing bales of cotton from any point in tiers of common piles ten and fifteen bales high. Provisions have also been made for the storage in any vacant capacity of coffee, rice, jute and other standard package commodities.

The available area is about 150 acres, and the present improvement, with yard trackage for about and terminal proper will provide storage capacity for 2,000 cars, embraces about 100 acres. The warehouses 470,000 bales, the compress 6,000 bales, the starting shed 8,000 bales and the wharf 110,000 bales.

In the new cotton warehouses we see the birth of the American distributing market, which means in turn the establishment of conditions under which the crop will yield a maximum profit and through which the Southern cotton farmer shall come, at last, into his own. On August 1, next, there will be completed the largest cotton warehouses and terminal in the world.

Plans for the erection of a modern grain elevator are now under way, which is to be erected just above and adjoining the great cotton warehouses now under construction, and which will permit vessels to load cotton and grain at the same time.

At the end of the trip it was the unanimous opinion of all that this ride was, from an educational standpoint, the most successful in the history of our Chapter.

NEW YORK

By Harold S. Schultz

When O. Howard Wolfe relinquished his position as Secretary of the Clearing House Section of the American Bankers Association for his new position as Assistant Cashier of the Philadelphia National Bank and left New York for Philadelphia, he caused to be felt in the American Institute of Banking in general, and in New York Chapter in particular, a serious void.

It is not necessary in this article to explain how the American Institute of Banking will feel at the loss of his services, for every Chapter in the country has without doubt recognized the valuable assistance and intense interest that Mr. Wolfe has taken in national affairs. We of New York Chapter have so much to be thankful for to him that we cannot let this event pass without mention of a few of the reasons why Mr. Wolfe's connection with us has been a most important part of our progress during the past four or five years.

In the first place, Mr. Wolfe's close association with the American Institute of Banking has been a constant inspiration and guide to the ideals for which we stand, and his thorough knowledge of just what the young bank man should know and how best to impart that knowledge to the young bank man, has given ours an advantage over other educational courses of the same nature and has laid a foundation for a reputation for us that is undeniably enviable.

Mr. Wolfe was President of the New York Chapter for two terms, having taken the place of A. W. Hudson in 1913-1914 and having been elected by the Chapter for 1914-1915, the season just closed. In addition to the many arduous details incidental to this office, Mr. Wolfe has personally planned nearly all of the details of the various courses which we have conducted, and given a large number of lectures, supervised the reviews, prepared examination questions and, in short, been an active force throughout our whole educational season. Even before he became President of the Chapter, as Chairman of the Educational Committee and as a member of that committee, his advice and counsel were followed without question when a course had to be decided upon.

The course upon which he devoted the greatest time, and which he personally conducted, was an elementary course in practical banking for men who had had less than two years' experience in banking. This course was very popular, and through it Mr. Wolfe has become known and revered by the younger generation of bank clerks throughout the city.

From these few facts, which are only a small part of the real work that was accomplished during the time he has been with us, it can be readily understood that

we of New York Chapter feel his loss keenly and at the same time we recognize the beginning that he has made for the permanent establishment of an efficient and thorough banking educational course in New York City, and no matter what course is pursued in the future we will ever consider it as the result of the efforts which he so unselfishly made for us.

The Season Closes.—The closing event of our educational season was the rally and election held at the Chapter rooms on May 18. Over 300 members were present and we were fortunate in having with us as guests James G. Cannon, Treasurer of the Bronx Parkway Commission, and J. E. Rovensky, Assistant Cashier of the National Bank of Commerce. We also were favored with the first performance of our new Chapter orchestra under the leadership of Charles Bleilevens, of Ladenburg, Thalman & Co. The Entertainment Committee had on hand a goodly supply of refreshments, and nothing was omitted that could possibly have added to the success of the occasion.

President Wolfe opened the meeting with a brief address on the accomplishments of the past season, and then were heard reports on the various divisions of Chapter activities by Secretary Schultz, Treasurer Ohlrogge, Chief Consul Meehan, First Vice-President Robbins and Chairman Mershon, of the Publicity Committee, respectively.

Following these reports Mr. Cannon presented to F. T. Bolan, of the National Bank of Commerce, the annual prize of $25 in gold for his excellent treatise on "The Federal Reserve Bank and Its Probable Effect on New York City as a Banking Center." Before presenting the prize Mr. Cannon made a short address expressing his delight at the progress that was being made by the Chapter.

President Wolfe then read a partial list of the graduates for the year, and stated that B. S. Miller, of the Chemical National Bank, with a mark of ninety-seven per cent., had graduated with honors. Eighty-eight names were read, which means that our graduating class this year is the largest that we have ever had. The anonymous prize of $10 for the best paper submitted in the Practical Banking examination was awarded to Leo I. Kavanagh, Title Guarantee & Trust Company. The names of the others who had successfully completed the Practical Banking Course and were eligible to promotion to the Second Year Course next year were then read. There were sixty-seven in all. George W. Kuehnbaum, of the Bronx National Bank, received the highest honors in the elementary course, and will receive a copy of Mr. Wolfe's book as a prize. Twenty-one men completed this course this year, which was entirely conducted by President Wolfe in conjunction with Dr. Whitehall's course in Business English.

Following the presentation of the prizes, J. E. Rovensky gave an interesting talk on the possible advantages of Institute connections.

The results of the elections were then announced, and the following is a list of the new officers and governors of New York Chapter:

Officers—President, J. A. Seaborg, Bankers Trust Company; First Vice-President, B. P. Robbins, National Park Bank; Second Vice-President, C. F. Manchon, Union Exchange National Bank; Treasurer, L. H. Ohlrogge, National Park Bank; Secretary, Harold S. Schultz; Chief Consul, B. S. Miller, Chemical National Bank; Secretary to the Board of Consuls, P. B. Menagh, National Newark Banking Company; Librarian, John H. Schubert, Guaranty Trust Company.

Governors—Milton W. Harrison, American Bankers Association; A. F. Maxwell, National Bank of Commerce; H. M. Baldwin, Title Guarantee & Trust Company; A. F. Johnson, Irving National Bank; I. H. Meehan, Farmers Loan & Trust Company; J. S. Creighton, Irving National Bank; C. J. Fetterer, Bank of Metropolis; William Feick, Broadway Trust Company; C. M. Bischoff, Lincoln Trust Company; R. A Philpot, Lazard Frères.

This is the first time in our history that we have combined the elections with the annual meeting of the season, and the complete success of the scheme will probably establish it as an annual affair. This meeting holds special significance for us as it was the last occasion at which Mr. Wolfe presided.

The Forum Dinner.—The Chapter Forum ended its activities for the year by holding a banquet at the Hotel Lafayette, at which in addition to the members of the Forum and the officers, governors and committeemen of the Chapter, we were pleased to have as guests a number of well-known bank officials who have been much interested in the work throughout the year. Fred W. Ellsworth, of the Guaranty Trust Company, was toastmaster, and the speakers were William A. Law, President of the First National Bank of Philadelphia and President of the American Bankers Association; Julian A. Gregory, Mayor of East Orange; George E. Allen, Educational Director of the American Institute of Banking; O. Howard Wolfe, Assistant Cashier of the Philadelphia National Bank; Jason A. Neilson, of Brown Bros. & Co.; Geo. P. Kennedy, Vice-President Century Bank, and R. A. Philpot, of Lazard Frères.

For many reasons this event may be classed as one of the most notable as well as most successful occasions of the year. Mr. Philpot, Chairman of the Forum Committee, was tendered a vote of thanks by the Board of Governors for the very enjoyable and interesting program.

The Seaside Section, which now occupies a delightful bungalow at Edgemere, Long Island, reports that it has enjoyed a full season from the beginning. Members have seized the opportunity to enjoy weekly outings in force. The bungalow is comfortably furnished and has sleeping quarters to accommodate about

one dozen men. Mr. Feick, of the Broadway Trust Company, who has attended to the details of the establishment of this bungalow deserves the thanks of us all for the efforts which he has made to cause it to be attractive, which it surely is.

Just at present our attention is occupied almost entirely by the working out of plans for the coming year. J. B. Birmingham, Chairman of our Educational Committee, is preparing to submit an extended outline in the very near future. A great deal of interest is being evinced in the establishment of a number of additional courses, and it is quite probable that our work will expand to a greater degree in the next year.

The coming convention at San Francisco is also a topic uppermost in our minds at this time. H. R. Kinsey, of the Transportation Committee, reports that a number have already made arrangements to go.

Milton W. Harrison is now Secretary of the Savings Bank Section of the American Bankers Association.

OAKLAND

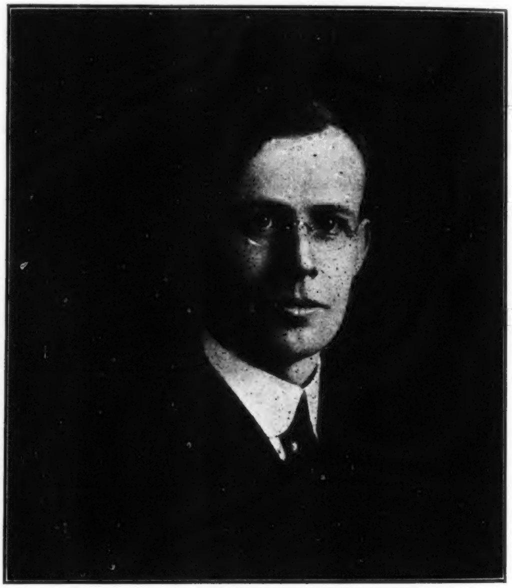
By George W. Ludlow

Oakland Chapter has the honor and pleasure of presenting A. E. Caldwell as a candidate for membership on the Executive Council. We advisedly say "honor and pleasure" because we are presenting a man of whom we are justly proud, and who possesses all the qualifications which a candidate for the Executive Council should have. He is a charter member of Oakland Chapter and has been an enthusiastic worker ever since. He has headed several important committees, is an Institute certificate holder, and has served on the Board of Governors. His term as President marked one of the most successful years of Oakland Chapter. Mr. Caldwell has been connected with the Oakland Bank of Savings for fifteen years, serving in the capacity of Assistant Secretary for the last five years. We urge your earnest consideration of his candidacy. His merit warrants your vote.

It will be our pleasure, on Friday afternoon, August 20, to show the delegates to the San Francisco Convention the beauties (including the kind you are thinking about) of the cities on the east of San Francisco Bay.

The annual return of election day, bringing its mixed feelings of anxiety, satisfaction, disappointment and relief, occurred Thursday, May 20. The anxiety is over. The disappointed ones have buried their grief. The relieved feelings are the property of the outgoing officers. The satisfaction is shared by all in general, and especially by the following: President, Thos. F. Watson, the Oakland Bank of Savings; Vice-President, J. Ernest Smith, Central Savings Bank; Secretary-Treasurer, D. P. Scudder, Security Bank. Board of Governors: Two-year terms—L. R. Smith, Berkeley Bank of Savings & Trust Company; John Campe, Farmers and Merchants Savings Bank. One-year terms—G. K. Cunningham, Alameda National Bank; D. H. Steet, First National Bank, Oakland, and A. J. Heald, First National Bank, Richmond. The holdovers for 1914-1916 are Paul Otey, Central National Bank, and L. J. Younce, First National Bank, Richmond.

Delegates to the 1915 convention: A. E. Caldwell, Oakland Bank of Savings; Paul Otey, Central National Bank; Wm. F. Morrish, First National Bank, Berkeley; Thos. F. Watson, the Oakland Bank of Savings; Theo. Jenkins, Central National Bank; Geo. E. Sleeper, Oakland Clearing House; J. S. Killam, Central National; G. W. Ludlow, the Oakland Bank of Savings; S. C. Scott, Farmers & Merchants Savings Bank, and F. M. Cerini, the Oakland Bank of Savings.



A. E. CALDWELL

Oakland Chapter's Candidate for Executive Council

Following the election, which was a spirited one, the annual meeting was held, closing with the installation of the new officers, during which the usual—and as usual the properly merited compliments were passed.

PITTSBURGH

By W. A. Korb

Pittsburgh Chapter has just finished what was probably the most successful season in its history. Due almost entirely to the untiring efforts of President H. E. Reed and the other officers and committeemen. Two committees have been especially active, viz., the Ways and Means Committee under "Don" Mullen

and the Educational Committee under "Doc" Orwig.

The attendance upon the educational classes has been larger than any previous year. The same is true of the number of men to take the examinations. Thirty-two men took the second examination in law, 30 took the examination in practical accounting, and about five men took an extra course and examination in banking.

The annual election of officers was held on the evening of May 25 from 4 to 8 p.m. While the ballots were being counted an excellent program was rendered by the Bankers Quartet and Frank Hipps, of the King School of Oratory, of this city. The result of the election was as follows: President, Donald A. Mullen; Vice-President, W. A. Korb; Secretary, Robert E. Gibson; Treasurer, Frank Benbow; Directors, H. E. Reed, Jean Phillips, Jos. W. Ward, David H. Thomas, J. E. Hill and Robt. Patterson. The fight for the Treasurership was a hot one, and when the final count was made, it was found that Jas. G. Saint and Frank Benbow were tied. The decision was made by the toss of a coin.

The officers of the Chapter are planning to keep the interest in the Chapter alive by having several social affairs during the Summer months. The first of these is to be held at the Hotel Schenley on July 14, and will be in the form of an outdoor dance and movie show.

The men who have planned to go to the convention are busily engaged in their preparation for the trip and are anxiously awaiting the time of departure. Clarence Pfordt, Chairman of the Convention Committee, is hard at work perfecting arrangements for our delegation to San Francisco. He reports that according to present indications quite a large number of Chapter members expect to make the trip. The present plans call for a special car leaving August 10, attached to the nine o'clock night express, arriving in Chicago on the morning of August 11. After spending the day in the "Windy City" all the Pittsburgh delegates will take the Chicago special train, leaving there that night over the Burlington.

H. E. Hebrank for Executive Council

Pittsburgh Chapter wishes to make final announcement of the candidacy of H. E. Hebrank, of the Union National Bank, for membership on the Executive Council. Mr. Hebrank is a past President of Pittsburgh Chapter, an Institute graduate, and a former member of the Fellows Class of the Institute.

The committee having his candidacy in charge feel that he needs no formal introduction to Institute men, as he has been a hard worker in local Chapter affairs for many years, serving on almost all the important committees, this year being a member of the Debate and Public Speaking Committee, as well as Chairman of the Year Book Committee.

Having served on National committees under the administration of Raymond B. Cox, B. W. Moser and H. J. Dreher (last year being Chairman of the National Publicity Committee), has fitted him for a wider field of work, and in endorsing him for membership on the Executive Council, Pittsburgh Chapter feels they have a man well qualified for this important committee.

We therefore solicit your support for the election of our candidate. Committee—J. H. Arthur, Chairman; D. C. Wills, F. M. Polliard, P. S. Space, H. E. Reed, Paul C. Harper.

PORTLAND

By Helmer Pierce

At the close of Institute activities for the season of 1914-1915 the annual election of officers and directors for the ensuing year was held. The following officials were chosen: R. M. Dobie, First National Bank, President; L. E. Cable, Bank of California, Vice-President; Ben Nordling, United States National Bank, Secretary; Godfrey Bloom, Ladd & Tilton Bank, Treasurer. During the same time the delegates to the annual convention at San Francisco and a representative to the American Bankers Association's convention at Seattle, Wash., were selected, to wit: T. H. West, R. M. Dobie, Helmer Pierce, F. C. Warren, E. L. Ordemann, J. King Bryon, S. G. Stanton, Charles F. Gleason, A. R. Sawtelle, L. W. Decker, Percy Caufield, delegates to San Francisco, and S. L. Eddy, representative to Seattle.

The interest in the study course continued unabated during the whole year, and upon the results of the examination being proclaimed we are gratified to announce that we now have twenty-two certificate holders and seventeen one-year men.

Portland enjoys the distinction of having maintained during the past year at no expense whatever to the Chapter a progressive Chapter paper, "The Tickler" issued monthly. Under the direction of the Publicity Committee, Martin E. Fitzgerald, Chairman, a canvass was made of the leading merchants and enough subscriptions for advertising secured to offset the cost of publication. The members were then appealed to through the columns of "The Tickler" to reciprocate to those who contributed their support by purchasing from these business men when in need of anything in their particular line. "Patronize our advertisers and mention 'The Tickler' when buying" became the popular slogan. That the members responded heartily to this appeal is attested to by the well pleased expressions from advertisers and the renewal of their ads from month to month. This plan succeeded so well that the committee were enabled to increase the size of the paper from eight pages at the start to sixteen pages, the standard of the latest issues. For May, the last edition of this season (it being the practise to discontinue publication during the vacation period), the committee decided that it would be a unique feature to introduce "a souvenir or convention"

number. The idea instantly became popular and the result was a fifty-two page "Tickler," of which we are justly proud. Photographs were taken and cuts made of the Chapter's officers and directors, the various committees, the delegates to San Francisco, groups of employes of some of our banks, the Chapter room and interesting views of Portland and surrounding territory. Upon request we were furnished with pictures of Messrs. W. S. Evans, National President, and R. H. Bean, nominee for this office, accompanied by forceful articles. A representative collection of essays was obtained tending to be of special interest to members of the banking fraternity. A list of members itemized under the head of the institution to which they are connected was also printed. As above stated, we believe the edition one of especial merit, demonstrating that we have an earnest and effective Chapter.

The sixth annual banquet was held in the Crystal room of the Benson Hotel on Tuesday, May 25, at which 160 enthusiastic members attended. The Entertainment Committee provided a splendid menu and musical program for the pleasure of those assembled. The after-dinner speeches were opened by the retiring President, Fred I. Weber. Mr. Weber received the work of the past year and his remarks anent to the notable results accomplished during his tenure in office were received with vociferous applause. R. M. Dobie, President-elect, being called upon for an address, acquiesced by briefly outlining his plans for the coming Winter. Mr. Dobie's statements displayed mature judgment and prove that he has a keen insight as to the needs of our Chapter. We can well congratulate ourselves upon the selection of a man of Mr. Dobie's caliber for President. Ralph A. Stacy, President of the National Bank of Tacoma, Wash., the next speaker, chose as his topic "Contrasts." He drew an interesting distinction between the banking methods in vogue twenty-five years ago and the present multiplex systems. Those fortunate enough to have heard Mr. Stacy will readily realize the vast improvements that have taken place in the science of bank accounting and the facilities afforded by the advent of the adding machine and other kindred devices. Mr. Stacy's talk was followed by an interesting discourse by Rev. Luther R. Dyott under the novel title, "In Times of War Prepare for Peace." The European war was the subject of Dr. Dyott's address. To summarize, he declared the belligerent factions in Europe would see the utter uselessness of impoverishing their countries and shedding the blood of the flower of her manhood. And out of this state of turmoil a new sentiment would crystallize for a more universal brotherhood over which the dove of peace will reign supreme. A. C. Kains, Governor of the Federal Reserve Bank at San Francisco, next gave an excellent exposition of the Federal Reserve system, a subject of vital importance to all students of banking. The speaker's talk embraced the early history of finance in the United States, covering the wreck of the second United States bank and the subsequent period of "wild cat" banking which followed till the passage of the National Bank Act in 1863. Then a review of conditions which made the need of currency reform imperative was dwelt upon, together with what the Federal Reserve Act was expected to accomplish. In conclusion Mr. Kains clearly pointed out that although there exists room for improvement in the Act, nevertheless a step in the right direction has been taken, a fact already established. He further said it was the duty of everyone to boost and help make the provisions of the Act a success; but provided any opposition is entertained relative to any measure therein such criticism should be open and above board, and if worthy proper remedies could be applied. A. L. Mills, President of the First National Bank, and Edward Cookingham, Vice-President of the Ladd & Tilton Bank, being called upon responded with a few impromptu remarks expressing their interest in the A. I. B. study course and promising their continued active support to a cause which has shown such grand achievements.

Dr. Andrew C. Smith, President of the Hibernia Savings Bank, acted as toastmaster, and his humorous allusions and anecdotes kept the audience in the height of good spirits. In this connection it might be mentioned here that he has heretofore served the Institute in like capacity. Upon the conclusion of formalities Dr. Smith led the assembled members in singing "He is a Jolly Good Fellow."

SACRAMENTO

By C. W. Lauppe

All Eastern delegates to the Convention at San Francisco will perhaps desire to remain in the exposition cities as long as possible, which hold numerous attractions, both instructive and enjoyable. It is the desire of the Sacramento Chapter that our Eastern members enjoy their visit to the greatest extent and shall endeavor to round out their fun in any way possible.

While the route to the convention gives us no opportunity of receiving the delegation in its entirety, a cordial invitation is extended to all delegates who may return through our city, to remain with us as long as possible, even if it be but a few hours.

We are located in the center of the Sacramento Valley, ninety miles north of San Francisco, on the main line of the Southern Pacific and Western Pacific Railroad Company, besides having connection with the convention city by electric and steamboat lines. A ride up the beautiful Sacramento River, which winds through California's delta region, is offered, besides trips through the near-by grain fields and into the more distant orange and olive-covered foothills.

The Sacramento Chapter requests that delegates place Sacramento on their stop-over list and communicate with J. E. Seaton, of the Fort Sutter National Bank, who will be glad to complete all necessary arrangements.

SAN FRANCISCO

By E. V. Krick

There is every reason to believe that the organization of the various lines of Chapter work under the new regime has been perfected to such an extent that vacations will in no way interfere with obtaining the ends desired.

Already we find ourselves in the Summer season with its many calls away from the city. However, this year the Yosemite, Lake Tahoe, the High Sierras and similar attractions are feeling the competition of the exposition. The fascinating beauties of "Jewel City" have cast their spell over many of our members who will this Summer spend at least part of their vacations admiring the wonders of man's handiwork.

The following committee Chairmen have been appointed by our President to supervise the work for the ensuing year: Athletic Committee—R. E. Warner, Wells Fargo Nevada National Bank; Educational Committee—Wm. A. Day, Savings Union Bank & Trust Company; Entertainment Committee—John S. Curran, Humboldt Savings Bank; House Committee—W. D. Lux, Crocker National Bank; Press Committee—W. F. Gabriel, Wells Fargo Nevada National Bank; Public Affairs Committee—F. C. Mortimer, First National Bank, Berkeley; Forum Committee—R. A. Newell, First National Bank.

The Chapter Forum held its regular monthly meeting Thursday evening, June 10. The theme chosen for consideration, "Ship Subsidies," attracted the usual group of listeners and a few outsiders. As has been our custom at previous meetings, the subject was separated into phases and allotted to different speakers. We have found that in this way a very comprehensive presentation of the subject is given before the meeting is opened for general discussion.

The allotted talks and speakers were as follows: "British and Scandinavian Policies in Subsidizing Their Merchant Marine," M. R. Clark, First Federal Trust Company; "French and German Policies in Subsidizing Their Merchant Marine," D. W. Henderson, Savings Union Bank & Trust Company; "The History of Ship Subsidy in the United States and Its Relation to Our Merchant Marine," Wm. A. Day, Savings Union Bank & Trust Company.

The usual informal discussion following the assigned talks brought out many facts and arguments which added a successful closing to a profitable evening.

The Public Speaking Class, which held its weekly meeting through the Winter, at the end of May discontinued its work for the Summer.

Kujo Sue Inui, "The Japanese Orator," addressed our Chapter on Thursday evening, June 17, upon a topic of his own choosing, "America vs. Japan." Mr. Inui came very highly recommended to us, not only as an orator but as one who had a message, and his address fully substantiated all that had been said of him.

The last lecture in the study course on law was delivered June 18. The final examination was held Saturday afternoon, June 19. While the attendance at the classes has kept up remarkably well, only a fair percentage of those qualifying presented themselves at the final examination.

The joint convention of the bankers of the Twelfth Federal Reserve District, held in San Francisco May 27 and 29, was very much of a success, over 1,400 delegates having registered. At the social functions our Chapter men were quite well represented and we had the pleasure and opportunity of mingling with the visiting delegates.

This convention served to quicken the enthusiasm over our own A. I. B. convention August 18 to 20. As for the part that San Francisco Chapter will play in this gathering as host city, the plans and arrangements are well developed.

The Chairmen of the various convention committees are as follows: General Arrangements, R. A. Newell; Hotel and Registration, Jos. H. Leal; Entertainment, Jno. S. Curran; Ladies' Entertainment, H. J. Moore; Transportation, Victor Klinker; Reception, W. O. Lux; Press, W. F. Gabriel.

We also submit a rough draft of the general entertainment program; while it is yet somewhat tentative, the general plan will be followed:

TUESDAY, AUGUST 17, 1915.

8.00 p.m.—Meeting of the East and West, a smoker at Native Sons Hall.

WEDNESDAY, AUGUST 18, 1915.

10.30 a.m.—Personally conducted tours for ladies through San Francisco shops.

3.00 p.m.—Automobile ride over San Francisco, ending at Panama-Pacific International Exposition.

5.00 p.m.—Entrance to Exposition Grounds.

6.00 p.m.—Dinner at Old Faithful Inn, Yellowstone Park, on the Zone.

THURSDAY, AUGUST 19, 1915.

10.00 a.m.—Special trip for ladies to Muir Woods, with luncheon at Muir Tavern.

1.00 p.m.—Chapter Presidents Luncheon Conference, in charge of Frank W. Bryant, of Boston, at Bellevue Hotel.

4.00 p.m.—Informal reception at the California Building, Exposition Grounds. Remainder of the afternoon and evening may be spent in viewing the Courts and Palaces and amusement features of the Zone.

FRIDAY, AUGUST 20, 1915.

2.30 p.m.—Guests of Oakland Chapter for an automobile ride about the eastern side of San Francisco Bay.

9.00 p.m.—Convention ball to delegates and ladies at St Francis Hotel. Formal.

SATURDAY, AUGUST 21, 1915.

American Institute of Banking Day at the Panama-Pacific International Exposition.

12.30 p.m.—Luncheon Dansant at the Inside Inn, Exposition Grounds.

SUNDAY, AUGUST 22, 1915.

Same special entertainment will be offered to delegates and ladies on Sunday.

It will be noted that the arrangements carry the entertainment into Saturday, August 21, and San Francisco Chapter urges all delegates to plan to stay over that week end.

Visitors desiring to play golf or tennis may make application to the committee for cards to local clubs.

If by any chance you have not completed your reservations, PLEASE DO SO AT ONCE. BRING YOUR WRAPS. THE CONVENTION BALL WILL BE FORMAL. All other events will be informal.

SEATTLE

By Lester R. McCash

The educational classes have completed their work for the year, and the activities of the Chapter will, until next September, be confined to pleasure. About sixty-two men took the examination in the second year work. Several of the banks offered a trip to the fair to the men in their respective banks that did the best work in the educational department. Those winning this trip were: Messrs. Phillips and Kluckholf, First National; Wiltzien, Scandinavian-American; Stott, Union Savings & Trust; Cassel, Dexter Horton National; Horton and Seelbach, Seattle National; Brygger, Metropolitan.

The public speaking class at its final meeting held a contest for the best speaker. A. R. Truax, First National, won first place, and R. P. Loomis, Metropolitan, second place. The judges were: J. P. Gleason, manager of the American Savings Bank & Trust Co.; Judge E. E. Smith and K. C. Beaton, of the P. I. staff.

The Bankers' Baseball League gave an informal dance at the Leschi Park pavilion June 25. A large crowd attended, and it is very lively that more of these affairs will be given during the Summer. Another plan for the amusement and pleasure of the members and their friends is to give a picnic some time during July. H. A. Barton has been appointed chairman of a committee to arrange for the picnic, and he states that a baseball game, foot races, dancing and a watermelon contest will be indulged in.

SPOKANE

By J. C. Alston

Twelve members of the Spokane Chapter passed in the examination in "Banking and Finance." Of the twelve, three had already passed in "Commercial and Banking Law," and so will receive the Institute Certificate. They are: W. E. Kelley, of the Union Trust & Savings Bank; E. B. Hutcheck, of the Old National Bank, and J. C. Alston, of the Exchange National Bank. Those who have just received their first credit toward the coveted certificate are: James C. Ferguson, Old National Bank; Fred D. Graff, Union Trust & Savings Bank; Herman E. McCroskey, Old National Bank; J. E. McWilliams, Old National Bank; Stanley C. Moore, Union Trust & Savings Bank; H. W. Sanders, Fidelity National Bank; A. H. Sawins, Jr., Old National Bank; Fred Van Liew, Old National Bank; S. H. Jones, First National Bank, Hillyard.

The examination was conducted by Prof. M. M. Beddall, of the Lewis and Clark High School, but the papers were finally graded by Geo. E. Allen in New York. The high excellence of Prof. Beddall's teaching may be judged from the fact that of those taking the examination only two failed to pass.

ST. LOUIS

By Chas. A. Schacht

A. H. Roudebush, our Law Lecturer, announces fourteen graduates from this class, as follows: Ralph W. Bugbee, A. J. Dill, O. D. Haile, Frank N. Hall, Walter Herzog, Otto C. Kahl, R. D. Kerr, Walter A. Lone, S. M. McElroy, Ambrose McGrath, Hy. A. Murphy, H. A. Reutner, Walter J. Sharp and E. A. Wrieden. The Chapter points with pride to Ralph Bugbee, of the Mississippi Valley Trust Company, and Walter J. Sharp, of the German Savings Institution, who carried off the honors of the class, both of these gentlemen making the remarkable average of ninety-six per cent.

J. E. Uhrig, Instructor of the Practical Banking Class, reports that sixteen Institute men in his class successfully passed the required examination. They are: A. J. Dill, W. T. Herzog, R. S. Hudson, Edw. Lee, Walter A. Lone, S. M. McElroy, Arthur Meyer, E. C. Meyer, Ambrose McGrath, A. W. Reiter, A. C. Riedell, Fred Salzman, O. F. Schweer, Chas. A. Tacke, J. A. Westbury and C. W. Wright.

With the class work for the season 1914-15 finished, it is with a great deal of pleasure and satisfaction that the Chapter reflects upon the progress made during the year just closed. The Chapter feels especially indebted to Frederick Vierling, Chairman of the forum class, and J. A. McCarthy and R. W. Bugbee, of the same class; also J. E. Uhrig, Fred J. Miller, A. H. Roudebush and Frank J. Hall, the two former being members of the banking class, while the latter two were identified with the law class. The gentlemen just named are deserving of just and honorable mention because they gave liberally of their own time and attention that others might profit.

The annual banquet of the Chapter was held at the American Hotel Annex on the evening of May 27. Franklin J. Johnson, Cashier of the Mercantile National Bank, acted as toastmaster and installed the new officers. This is the first time St. Louis Chapter

has had one of its former presidents act in the capacity of toastmaster.

The speakers for the evening addressed the Chapter on the following subjects: Jas. G. McConkey, counsel for the Federal Reserve Bank, "Federal Reserve Bank"; Geo. W. Doonan, local representative of the United States Department of Commerce, "Foreign Trade Opportunities"; Lee Meriwether, "The Parkway"; A. H. Roudebush, "Education," and J. E. Uhrig, our retiring president, "The Chapter." In addition to the music the boys enjoyed the solos rendered by Francis X. Powers and John O'Brien.

The following officers were installed for the season 1915-16: Chas. A. Schacht, Franklin Bank, President; John V. Keely, Mercantile National Bank, Vice-President; Frank N. Hall, Mechanics American National Bank, Secretary-Treasurer. Board of Governors: J. E. Uhrig, St. Louis Union Bank; John H. Sills, Franklin Bank; L. C. Bryan, Boatmen's Bank; C. H. Chase, Mechanics' American National Bank; Hy. H. Aehle, Mercantile National Bank; E. A. Wrieden, German American Bank; Arthur Haill, Third National Bank, and C. W. Wright, Third National Bank.

A tribute to the memory of our late co-worker, Louis W. Fricke, was paid by all members present silently rising to their feet.

The banquet committee, consisting of Hy. H. Aehle, Fred J. Miller and Ralph W. Bugbee, are deserving of much credit for the enjoyable evening's entertainment.

SYRACUSE

By R. B. Porter

The Year Which Has Just Closed. Lest we forget; but we won't forget, we individually and as a Chapter would give testimony at the beginning of another year to W. H. Kniffin and Anthony Lamb, Vice-President of the Commercial National Bank, who had the foresight and forethought which made it possible for Syracuse bank men to "learn their business." It is a source of satisfaction for us to be convinced that the Chapter has made good. Every member who has been in attendance at the meetings has become better fitted to solve the problems which are bound to arise in our profession.

The problems in every trade and profession are many and hard to solve. Our Chapter's aim is to carry out the idea, namely, to solve the problems. There has been a big expenditure of mental energy on the part of Mr. Boyd, Mr. Fyler and Mr. White during the past year. Their efforts in furthering the education of the bank men were well thought out, and it is to their credit that there were sixteen successful men who took the examination in Economics and Practical Banking.

We are convinced that the coming year will show at its close a year of progress. We have for President one of the most aggressive bank men of Syracuse in Howard Fyler, of the Commercial National Bank. He is one of those rare fellows who "never gets tired" of doing things. He has the confidence of the bank's officers and the loyal support of every member of the Chapter. The several committees have been carefully selected and already are "getting busy" planning the reception of the Fall's work.

Syracuse Chapter will have several delegates at the Frisco convention. The exact number can't be given in this issue. H. Fyler, of the Commercial National, and Willard Seymour, Manager of the Bond Department of the Trust & Deposit Co. of Onondaga, will be "on the job" going and coming and during the sessions.

These delegates in the interest of the Institute are already giving serious consideration to the matters of business which will be disposed of at the convention. Because of this we are assured that our representation will be one of merit to themselves and credit to the Institute.

The Chapter enjoyed an outing and field day on June 19. The event took place at Pleasant Beach. The occasion was the most delightful and enjoyable social event of the year. Preceding the "clams" many athletic sports took place. The first, second and third winners were tendered very excellent rewards. Too much credit cannot be accorded Mr. Hageman and Mr. Palmer for their efforts in planning the day. The multiplicity of details which had to be looked after they did to the complete satisfaction of everyone present.

WHEELING

By William W. England

Wheeling Chapter has discontinued the study class for the Summer, but will have general and business meetings July 20 and August 17. The opening of the study class will be about the middle of September. Owing to the fact that our membership is not large and our treasury is necessarily limited, we must forbear the pleasure of having our members, as delegates, enjoy the convention at San Francisco this year. However, we are hoping that the time will soon be at hand when we may send our full quota of delegates each year.

MINNEAPOLIS

By S. J. Fitzsimmons

The Chapter work for the year 1914-1915 has come to a close, a year which we feel has been most profitable to all concerned, particularly along educational lines. There were more registrations than ever before and, with the facilities for conducting classes such as we have through our affiliations with the General Extension Division of the University of Minnesota and access to the library of the University and the law library of the city and county court house in Minne-

apolis, we believe that our opportunities for the study of subjects relating to the scientific management of a bank are unexcelled by any other Chapter in the country. In this connection a few words of praise should be given to the Educational Committee and its Chairman, A. V. Smith, in particular. He worked untiringly, giving much of his spare time to the arrangement of the classes, to selecting text books not offered by the Institute, to increasing the enrollment and studying the selection of subject outside the Institute curriculum most suited to our needs. But our educational program has not been confined to the classroom. At our monthly dinner meetings we have had the good fortune to hear prominent men speak not only on banking subjects but also matters of general interest; of hearing men who, because of their experience, position and wide knowledge, are well fitted to teach and criticise. W. F. McLane, Cashier of the Hennepin County Savings Bank, an old member of the Institute, at the first dinner spoke on the part the younger bank men must play in financial affairs in the near future and strongly urged every one of us to take part in the educational work of the Institute. Richard R. Price, Director, the same evening explained the aims and objects of the General Extension Division of the University, and C. H. Preston, Organizer for that department, added a few words concerning their work. Former Governor and Congressman John Lind, who was President Wilson's personal representative in Mexico at a very trying time, spoke on the situation in Mexico. At another time W. F. Decker, President of the Minneapolis Civic and Commerce Association, gave an address on "River Development," a subject of vital interest to Minneapolis, which is to become the head of navigation on the Mississippi River upon the completion of the High Dam. At another dinner A. V. Gardner, Editor of the "Northwestern National Bank Review" and a member of the Institute, shortly after the War Tax bill became a law, explained those provisions of the Act which affect bank men in their daily work. Allen D. Albert, Associate Editor of the Minneapolis "Tribune" and President of the Minnesota Commercial and Civic Federation, spoke on the "Great War," a very interesting and illuminating address. C. R. Chaney, of the Northwestern National Bank, gave a very humorous and laughable chalk talk. At a later dinner John H. Rich, Federal Reserve Agent for the Ninth District, read an interesting, comprehensive and instructive paper on the Federal Reserve Act, the Federal Reserve Banks in general and the Ninth District Reserve Bank in particular. His paper was published in the February issue of the JOURNAL-BULLETIN. Theodore Wold, Governor of the Ninth District Federal Reserve Bank, explained the operation of the bank and answered questions regarding the Federal Reserve Act. At our annual banquet Rev. J. E. Bushnell, D.D., delivered the invocation. Allen D. Albert, President George E. Vincent, of the University, and Governor Hammond also made addresses.

The thoughts of our delegates to the national convention are all centered on the trip to San Francisco. Their tentative plans are to join the Eastern and Middle delegates to Chicago and travel from there on the "A. I. B." special train to the convention. We have received letters from many Chapters asking us to consider their choices for representation on the national official list, as no doubt the other Chapters have also. It has been the general policy of the Minneapolis delegates to wait until they arrive at the convention city before finally committting themselves.

Our annual election was held on June 18th and the following were elected to guide the destiny of this Chapter for the ensuing year: President, J. C. Thomson, Northwestern National Bank; Vice-President, L. R. Swett, First & Security National Bank; Recording Secretary, Guy F. Jenson, East Side State Bank; Corresponding Secretary, C. H. Rose, Northwestern National Bank; Treasurer, E. H. Browne, Northwestern National Bank. C. B. Brombach and R. M. Chapman, both of the First & Security National Bank, were elected to fill vacancies on the Executive Committee.

Our annual banquet, the climax of the year's activities, was held on May 25 in the perfecly appointed banquet room of the exclusive Minneapolis Club. An excellent banquet was served and we ate to the accompaniment of a string orchestra. It was a very happy and enjoyable occasion. President C. B. Brombach was the toastmaster. Before introducing the speakers he reviewed the growth and work of the Institute in a very masterly manner, explaining the part that the Minneapolis Chapter was taking for the benefit of the many guests. He then introduced Governor Hammond, the principal speaker of the evening,

Mr. Albert, using the postage stamp, the telephone, the railroad and other modern facilities for illustration, not excepting the automobile, dwelt on the development of the United States within a period comprehended by the life of even the younger men present. He pleaded for the development in the coming generation of bank officials, of the spirit of country-wide affiliation. He urged every banker to think of himself as part of the great outward trade expansion movement that is just beginning. His argument was for the widened view, the nationalistic rather than the State or local viewpoint.

Dr. Vincent spoke in an intimately analytical manner of the Spencer philosophy, delivering what he himself said sounded like a University classroom lecture. He held his audience in wonderment as to the possible relevancy of the matter to the occasion for the gathering of bankers. But in later comparison of the nervous system of the human organism to the credit system of the social organization he scored heavily.

There were present at the banquet over 300, including about thirty guests, for the most part directors in the various banks and other prominent business men, and our instructors from the University.

MEMBERSHIP CHANGES

The membership of the Association is now over 14,800. There are frequent changes which come about through consolidations, mergers, liquidations, etc. The General Secretary of the Association would appreciate receiving from our members notice of any changes which occur, for the purpose of keeping our membership list correct and giving publicity through the columns of the JOURNAL-BULLETIN.

California	Berkeley	Berkeley National Bank merged with Oakland Bank of Savings.
Florida	Jacksonville	Germania Bank consolidated with First Savings Bank as First Germania State Bank.
	Jacksonville	State Bank of Florida consolidated with Atlantic National Bank.
Idaho	Coeur d'Alene	First National Bank consolidated with Exchange National Bank as First Exchange National Bank.
Kansas	Arkansas City	Security State Bank converted to Security National Bank.
Minnesota	Lakeville	Dakota County State Bank changed to First National Bank.
Mississippi	Columbus	Columbus Insurance & Banking Company succeeded by Columbus National Bank.
	Rosedale	Bank of Rosedale converted to First National Bank.
Nebraska	Pender	Pender National Bank succeeded by Pender State Bank.
North Dakota	Hebron	Hebron State Bank succeeded by First National Bank.
Ohio	Cleveland	Home Savings & Banking Company changed to Home Savings & Trust Company.
	Scio	Farmers & Producers National Bank closing its affairs.
Oklahoma	Mangum	Bank of Vinson, Vinson, Okla., consolidated with First State Bank.
Pennsylvania	Philadelphia	Philadelphia Trust, Safe Deposit & Insurance Company changed to Philadelphia Trust Company.
South Carolina	Olanta	Bank of Olanta converted to First National Bank.
South Dakota	Mobridge	Mobridge State Bank changed to First National Bank.
Washington	Aberdeen	Chehalis County Bank changed to Aberdeen State Bank.

NEW AND REGAINED MEMBERS FROM JUNE 1 *TO* 30, 1915, *INCLUSIVE.*

Arizona	Gila Bend	The Valley Bank.
	Phoenix	Central Bank of Phoenix.
Arkansas	Little Rock	Little Rock Chapter, American Institute of Banking.
Iowa	Eddyville	Eddyville Savings Bank.
	Red Oak	Red Oak Trust & Savings Bank.
Michigan	Benton Harbor	Berrien County Bank.
Minnesota	Brooten	Scandinavian State Bank.
	Litchfield	First National Bank.
Nebraska	Kearney	Central National Bank (Regained).
New Jersey	Clifton	Clifton Trust Company.
New York	Islip	First National Bank.
	New York	Judson G. Wall & Sons.
	Pearl River	First National Bank.
North Carolina	Rocky Mount	Rocky Mount Savings & Trust Co.
	Rowland	Merchants and Farmers Bank (Regained).
North Dakota	Tolna	State Bank of Tolna.
Ohio	Eaton	Eaton National Bank.
Oregon	Sumpter	First National Bank.
South Dakota	Columbia	Farmers & Merchants State Bank (Regained.)
Texas	Newsome	First National Bank.
	Paris	City National Bank.
Washington	Spokane	Citizens Savings & Loan Society.
Wisconsin	Menomonee Falls	Citizens State Bank (Regained).
	Milwaukee	West Side Bank.
	Solon Springs	First State Bank.